Austria	Sch24	Indonesia	Rp3100	Philippines	Pes40
Bahrain	Din0.700	Iran	Rls210	Portugal	Esc150
Belgium	BFr55	Israel	Shk3.50	Qatar	QR9.00
Cyprus	C£0.90	Italy	L2000	S.Arabia	SR7.00
Denmark	DKr12.00	Jordan	Fils1000	Singapore	S$4.10
Egypt	E£3.25	Kuwait	Fils.500	Spain	Pta185
Finland	FM8.50	Lebanon	L£400.00	Sweden	SKr12
France	FFr7.50	Lux	LFr55	Switz	SFr2.50
Germany	DM2.80	Malaysia	M$4.25	Thailand	Bt50
Greece	Dr150	Morocco	Dh8.00	Tunisia	Din0.800
Hong Kong	HK$12	Neth	Fl3.25	Turkey	L1400
Hungary	Ft107	Nigeria	Naira18	UAE	Dh7.00
Iceland	Kr160	Norway	NKr12.00		
India	Rs15	Oman	OR1		

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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Thursday April 19 1990

D 8523A

TUNISIA
Privatisation by stealth
Page 6

World News

Islamic group says it will set American hostage free

A Lebanese group holding three American professors hostage said it would release one of the captives within 48 hours.

The statement was accompanied by a photograph of Professor Jesse Turner, who was seized from the campus of Beirut University College in 1987. It was not clear if the hostage-takers were demanding concessions from Washington. There was no immediate response from the US State Department. Page 24

Iraq gun confirmed

The UK Government confirmed that eight steel cylinders seized by customs officials last week were part of a giant gun to be built by Iraq. Page 24

Beirut children killed

At least 15 people, including 11 children, died when a school bus was hit by machine-gun fire in Christian east Beirut. Four soldiers were killed in an explosion in General Michel Aoun's barracks. Page 6

Nicaraguan peace

Nicaraguan Contra rebels and Sandinista army officials agreed on a rough draft of a ceasefire accord, bringing a definitive end to Nicaragua's eight-year war. Crises to come, Page 8

Airliner hijacked

A mental patient hijacked a Soviet aircraft bound for Leningrad and forced it to fly to Vilnius, capital of the breakaway republic of Lithuania. He was arrested on arrival.

Bush aide fined

Jennifer Fitzgerald, White House deputy chief of protocol and longtime aide to President George Bush, has been fined $648 for customs violations by improperly bringing two fur garments into the US, Washington officials said.

Pilot error blamed

Pilot error was the main cause of an Indian Airlines Airbus 320 crash in Bangalore in February in which 92 people died, the Indian Directerate General of Civil Aviation reported. Page 6

Warmer welcome

The Australian warship Tobruk was met with fanfare at the Turkish port of Canakkale, 75 years after 8,000 Australians died attempting a landing at Gallipoli.

Estonian currency

Estonia has contracted a foreign firm to print banknotes with a face value of 100m new krone to replace the rouble, making it the first constituent Soviet republic to produce its own currency.

Buthelezi defiant

South Africa's Zulu leader Mangosuthu Buthelezi says he is determined to play a central role in shaping the country's future despite efforts by Nelson Mandela's supporters to isolate him.

Canada must explain

West Germany demanded an urgent explanation for the collision of two Canadian warplanes over Karlsruhe on Tuesday, one of its toughest reactions to Nato training flights.

Kidnap victim freed

A wealthy Brazilian businessman was freed by kidnappers in the central city of Goiania after his family paid $1m ransom. Odilon Walter Santos, 73, was abducted on April 8.

San Francisco quake

A series of earthquakes rocked San Francisco on the 84th anniversary of the great earthquake of 1906. Nobody was hurt. Page 8

White tigers born

Three white tiger cubs have been born in a Swedish zoo. A spokesman said the species was almost extinct.

Business Summary

Big lay-offs expected at Atlantic Computers

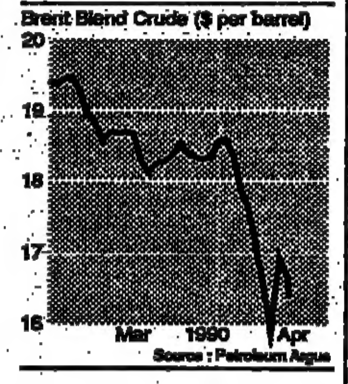
Large-scale lay offs are expected today at Atlantic Computers, the UK leasing company which has been put in the hands of administrators.

Redundancy notices were being drawn up yesterday at the group's premises, west of London. "They have already decided to fire 80-90 per cent of the people here," said to a senior company director. Page 25

MARKETS: Oil prices fell steeply again as markets registered disappointment at the outcome of crisis talks in Saudi Arabia, between oil ministers of Saudi Arabia, Kuwait and the United Arab Emirates.

Oil price

Brent Blend Crude ($ per barrel)



Source: Petroleum Argus

Commodities, Page 38. In Paris the Bank of France did not cut its 9¼ per cent money market intervention rate causing mild disappointment. Currencies, Page 46. On Wall Street, the Dow Jones Industrial Index fell 32.66 to close at 2,733.11. Selective buying took Tokyo's share prices sharply higher. Markets, Page 50

NORTON BID: American political opposition to BTR of Britain's $1.64bn hostile bid for Norton, the Massachusetts-based abrasives company, escalated with news of a protest campaign involving Senator Edward Kennedy. It happened as Governor Michael Dukakis of Massachusetts signed a new piece of anti-takeover legislation. Page 25

AIR FRANCE announced a 27 per cent fall in annual profits and argued that a European Commission inquiry into its alleged abuse of a dominant market position was out of place. Page 25

MLC and Capita, life insurance groups, are to merge with total assets of about $A10bn ($7.7bn) to form Australia's third biggest life office. Page 25

BMW of West Germany is to restructure its parts distribution activities throughout Europe in preparation for the single EC market. Page 10

HONEYWELL, US electronics and automation group, is to spin off its defence and maritime business into a separate company. Page 26

DEUTSCHE Bank was asked by Bulgaria's foreign trade bank, which has suspended repayments of principal on its foreign debt, to form a group to advise on a debt restructuring. Page 2

SHELL OIL of the US is to discontinue its involvement in healthcare and is seeking a buyer for its wholly owned Triton Biosciences operation in California. Page 34

EAST GERMANY'S economy nose-dived in the first quarter when trade with the Soviet Union slumped and industrial production tumbled, Reuter reports. Page 2

SOUTH KOREAN companies' overseas investment increased sharply according to figures released by the Bank of Korea. Page 6

BRITISH MIDLAND, UK's second largest scheduled airline, accused France of reducing competition on air routes after being refused permission for a new low-cost London-Paris business fare. Page 3

Washington issues further warnings ● Norway approached over gas supply

Lithuanians ready to offer deal on talks with Moscow

By John Lloyd in Moscow, Lionel Barber in Washington and Karen Fossli in Oslo

THE LITHUANIAN parliament yesterday offered to halt all legislation for the next two weeks in return for talks with Soviet officials on the republic's independence.

But late last night it was reported that oil supplies to the country's main refinery at Mazeikiai had been cut. An engineer at the plant said that the flow of oil had stopped at 9.30pm, apparently, he said, on Soviet orders. There was no confirmation of this from Moscow.

Earlier, as the breakaway republic made another conciliatory gesture, Washington issued further warnings to Moscow. Mr James Baker, US Secretary of State, said in testimony to Congress that trade and commercial contacts with the Soviet Union were being threatened by Moscow's failure to resolve the crisis over Lithuania.

He stressed, however, that any US retaliation against the Soviet Union would not affect the summit between Presidents George Bush and Mikhail Gorbachev on May 30.

The latest moves came as Mrs Kazimiera Prunskiene, Prime Minister of Lithuania, left for Norway in the hope of obtaining an alternative source of energy in the event of Moscow cutting off oil and gas supplies.

European security tops Mitterrand/Bush agenda, Page 2; Interview with Lithuania's Foreign Minister, and background, Page 3; Baker warns Moscow on trade contacts, Page 8.

Mrs Prunskiene told reporters at Moscow airport that she planned to discuss possible oil purchases with political and business leaders. Lithuanian officials have already said they have had informal talks with Scandinavian and other companies about stepping in to fill any gaps created by a Soviet embargo.

The threats to stop energy supplies to the republic have so far proved empty. A senior Soviet official yesterday denied any moves to terminate supplies after Lithuanian claims that gas supplies would be cut and crude oil deliveries halted to the big Mazeikiai refinery.

Mr Akiim Mukhamedzyanov, Soviet deputy minister for the oil and gas industries, told the official news agency Tass that the Lithuanian claims were "completely groundless." He added: "We have received no instructions on this score from the Council of Ministers (government)." Lithuanian sources later confirmed there had been no interruption to the flow of energy.

Mrs Kazimiera Prunskiene, Lithuania's Prime Minister, speaking in Vilnius yesterday

A delegation of Lithuanian parliamentarians, under the leadership of Mr Branis Kuzmickas, deputy chairman of the republic's Supreme Soviet, will travel to Moscow, probably today, to be on hand for talks.

A message from the Lithuanian Supreme Soviet to President Gorbachev and Mr Nikolai Ryzhkov, the Soviet Prime Minister, expressed "concern over the USSR's position and methods" in threatening to apply economic sanctions

Continued on Page 24

Unions may try to block Soviet transition

By John Lloyd in Moscow

THE SOVIET trade union federation has pledged to block any move to a market economy which causes unemployment and sacrifices by the low paid.

Mr Gennadi Yanaev, elected president of the All Union Central Trade Union Council on Tuesday, said the transition to the market through the shock therapy used in Poland – which some Soviet economists advocate – would be stoutly resisted.

"To protect the least well-off is the direct obligation of the trade unions," he said, adding that about 80m citizens experienced "material difficulties"

The unions remain a powerful force in Soviet society – in some respects more powerful than when they were firmly under party control. Earlier this year they forced Mr Valentin Pavlov, the Finance Minister, to compensate enterprises fully for fuel price increases – annulling the effects of the rise – because of fears of bankruptcies and unemployment resulting from them.

Mr Yanaev, whose federation represents 140m workers, demanded that:

- the state continue to guarantee the right to work;
- the transition to a regulated market economy be gradual;
- the Government conclude an annual social contract with the trade unions – "a kind of national collective agreement" – covering all social and economic issues.

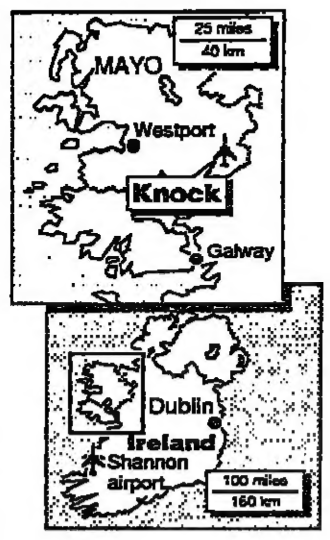
Mr Yanaev warned of "mass unemployment which would affect the fate of millions of working people" and said: "There is only one way for us – to place the struggle for employment at the centre of our work."

The unions' council has drafted a law on employment which would reassert the right to work – and will use its bloc of 50 deputies in the Supreme Soviet to push it through.

In calling for a social contract, he warned the Government that it was on the unions that "the stability of society depends – as does the achievement of national consent." Progress towards a regulated market could only be achieved gradually "in order to alleviate to a maximum degree the pressure on workers' living standards."

Mr Yanaev said the unions would proclaim themselves "an independent social force" at their congress in Octo-

Continued on Page 24



Knock looks to US flights to start a tourist boom

By Kieran Cooke in Dublin

PASSENGERS flying out of New York or Chicago will soon be seeing another name on the departure board: Knock.

The very latest transatlantic destination is 600 feet up a peat bog mountain in County Mayo, Ireland. Yesterday the Irish Government granted permission for direct charter flights from the US to Knock, opening up the possibility of a tourist boom in one of Europe's most underdeveloped regions.

Knock has more than a whiff of the miraculous about it. The inspiration behind the airport was the late Monsignor James Horan, a local priest who wanted to bring pilgrims to a nearby Catholic shrine and to develop communications between the west of Ireland and the outside world.

Against all the odds and through the monsignor's considerable fund-raising efforts the airport was built. Knock cost more than I£14m ($21.32m). Money came from government grants, the Irish community in the US and church gate collections at home. The European Community also made funds available.

The first flights in and out of Knock began operating in 1986 and direct flights to and from a number of cities in the UK now operate daily.

Arriving transatlantic passengers, more used to the whirl of Kennedy or O'Hare airports, may be a little confused to find themselves apparently in the middle of nowhere. There are few signposts to show where you are or where you might wish to go. A somewhat cryptic sign

Continued on Page 24

EC points finger at US over trade

By Lucy Kellaway in Brussels

THE EUROPEAN Commission yesterday published a damning study of US barriers to trade, covering 50 obstacles including tariffs, Buy America rules and unreasonable product standards.

The study, the fifth in an annual series, is the most detailed yet and contains evidence of barriers not previously cited.

These include restrictions on the activities of financial institutions, both in the kind of businesses they can offer and in their geographical spread.

A range of serious obstacles in the field of public procurement orders is also emphasised.

The report does not blame growing protectionist tendencies for all the barriers, although it notes the US has "a certain temptation" to protect its market as a result of its growing trade deficit.

The continued existence of these barriers is undermining the multilateral trade system and casting doubt on the commitment of the US to resolving trade disputes on a multilateral basis, the report says.

It also accuses the US, which has recently published its own account of the unfair trade practices of others, of being guilty of many of the sins it identifies in those countries.

The report attacks much US trade legislation, blaming it for being arbitrary and claiming it hurts companies wishing to trade with the US by creating a climate of uncertainty.

It states that the main difficulty faced by exporters to the US is that the market is becoming increasingly fragmented.

An increasing number of barriers are now at state, rather than federal level, it says.

More seriously, it points to the unilateral nature of many of the US trade rules, highlighting the illegal moves by the US in retaliation to an EC ban on hormones in meat for human consumption; the slowness with which the US reacts to Gatt panel rulings; and the "lukewarm" role played by the US in international decision making.

An EC official yesterday strongly denied that the report was souring the mood between the two blocks as the Gatt negotiations entered a sensitive phase.

The EC report was reasonable in tone, describing the US as "a comparatively open economy," which was in marked contrast to continued US complaints that the EC was a fortress, he said.

THE US trade deficit narrowed sharply in February to $6.49bn seasonally adjusted, the lowest monthly figure since 1986. The main factors in the $2.8bn drop from January's figure were a rise in aircraft exports and a fall in oil imports. The decline was substantially bigger than economists had expected. However, because month-to-month movements in aircraft export shipments are usually erratic there was little market reaction.

With exports growing so far this year nearly twice as fast as imports, the trade deficit seems likely to continue to narrow. The trend reflects the slower growth of the domestic US economy and especially of investment spending. Page 24

Bank of England drops plan to equalise banks' liquid assets

By David Lascelles, Banking Editor, in London

THE BANK of England has decided to drop controversial proposals that would have obliged all banks operating in the UK to hold a similar stock of liquid assets as a safety net.

Instead, it will set rules for banks individually based on their specific circumstances.

The move, which follows unusually strong resistance by UK banks as well as foreign banks with branches in the UK, will be greeted with considerable relief in the City of London.

The decision will be conveyed to banks shortly by a letter to the British Bankers Association.

Mr Brian Quinn, executive director in charge of banking supervision at the Bank of England, said in an interview that the Bank had given careful consideration to comments on its latest set of proposals which was published at the end of 1988.

However, although the Bank believed that a liquidity regime was still needed, it accepted that the UK banking industry had become too diverse for a common standard to be introduced. "We recognise that the market is on the move and that prescribing a requirement for liquidity now is not right," he said.

A further factor was the emergence of the European Community single market. Mr Quinn, who heads an EC banking supervisors committee established by the Delors Report on financial unification, said the EC may produce its own liquidity proposals before long. So it made little sense for the UK to press ahead on its own.

The Bank will hold discussions with all banks operating in the UK in the near future, and each will be given its own liquidity standard which takes into account its character and the sort of markets in which it operates.

Banks are already controlled on the extent to which they can mismatch their deposits and loans to exploit differences in interest rates.

The proposals were intended to ensure that all banks also had a stock of highly liquid assets which they could sell to raise cash in a crisis.

However, banks objected to being told what type of assets they had to hold, particularly since the Bank was insisting that these include low-yielding government bills.

Foreign banks with UK branches also complained about having to comply with Bank of England rules when they were already subject to controls at home.

Over the years, the Bank has published no fewer than three sets of proposals on liquidity, prompting bankers to complain that it had got a bee in its bonnet about it.

At one point, normally compliant Japanese bankers in London even took the unusual step of making a representation to the Bank.

Mr Quinn denied that the Bank's change of heart amounted to a retreat. "This is not a climbdown but the application of common sense," he said, noting that it marked a reversion to the traditional Bank of England approach of flexible supervision.

CONTENTS

Nicaraguan President-elect gets a foretaste of crises to come

Mrs Violeta Barrios de Chamorro (left) is being stalked by a political crisis even before donning the presidential sash. The approaching deadline for demobilisation of the Contra rebels may bring peace or chaos. Page 8

MARKETS

STERLING
New York close
$1.6390 (1.6375)
London:
$1.6375 (1.6345)
DM2.7375 (2.7400)
FFr9.2025 (9.2150)
SFr2.4300 (2.4350)
Y260.50 (261.25)
£ Index 86.7 (86.7)

GOLD
New York Comex Jun
$379.7 (378.8)
London:
$375.25 (374.0)

N SEA OIL (Argus)
Brent 15-day Jun
$16.30 (16.75)

Chief price changes yesterday: Page 25

DOLLAR
New York close
DM1.67275 (1.6768)
FFr5.6215 (5.637)
SFr1.4785 (1.490)
Y158.15 (159.72)
London:
DM1.6720 (1.6770)
FFr5.6200 (5.6375)
SFr1.4835 (1.4900)
Y159.10 (159.90)
$ Index 68.3 (68.7)
Tokyo close: 159.67

US Lunchtime Rates
Fed Funds rates
3-mo Treasury Bills:
yield: 7.99%
Long Bond:
96 11/32
yield: 8.81%

STOCK INDICES
FT-SE 100:
2,205.9 (−8.6)
FT Ordinary:
1,732.6 (−3.7)
FT-A All-Share:
1095 (−0.3%)
New York close
DJ Ind. Av.
2,733.11 (−32.66)
S&P Comp
342.23 (−2.45)
Tokyo: Nikkei
29,249.06 (+787.46)

LONDON MONEY
3-month Interbank:
closing 15 5/32 (15 1/16)
Liffe long gilt future:
June 79 5/32 (79 11/16)

Solidarity meets nine years on to map out a future

By Christopher Bobinski in Warsaw

ALMOST NINE years after its first congress in Gdansk, Poland's Solidarity trade union meets today in the same Olivia hall to map out its future.

The political risks may have been far greater in September 1981 – three months later martial law was introduced – but at least the choices open to the then 10m-strong political movement were clear-cut. Now, eastern Europe's first movement to challenge the Communist party's political monopoly is facing some difficult questions.

Solidarity returned to the political scene through an agreement with the Communists in spring last year and secured *the political initiative* after its sweeping victory in elections last June. But its membership, at 2.2m, reflects apathy in the country and a feeling that, with Communism toppled, the movement no longer needs mass support.

Mr Lech Walesa, its leader, *has said he intends to run for* union office at the congress, but he is also eyeing the Polish presidency. At the same time, the movement is torn between seeking to keep its dominant political role and allowing the initiative to pass to the Government and Parliament while simply occupying the position traditionally reserved for trade unions. Even that position is not devoid of question.

Mr Tadeusz Mazowiecki's Government, whose origins are firmly rooted in the Solidarity camp, will continue to demand support from the union. But as anxiety grows about falling living standards, the union is finding itself pushed into a more outspoken stance. This pressure comes both from its own members, and from the left-wing OPZZ unions and Walesa critics like Mr Marian Jurczyk from Szczecin, a Soli*darity strike leader in 1980* whose Solidarity 80 movement declares itself to be the "true depository" of the movement's traditions.

The congress is to debate whether the union should establish a political party to represent its interests directly.

The Government's privatisation policy will come under attack as will growing unemployment - possibly reaching half a million by the middle of the year - and the government's pay curbs.

Czech minister rebuked over police

CZECHOSLOVAK Interior Minister Richard Sacher was criticised by his own deputies *yesterday for not getting rid of* former secret policemen in his office, Reuter reports from Prague.

Two junior interior ministers, whose resignations Mr Sacher said he had requested, told a news conference their boss had blocked security checks on people and continued to be surrounded by members of the now-disbanded STB secret police.

"We feel that the security of the state has been threatened," First Deputy Interior Minister Viliam Ciklamini said.

Mr Sacher had "centralised (the ministry's) activities to his person", added another deputy minister, Mr Jaroslav Pro*chazka*.

The two ministers, plus members of a commission set up to investigate Interior Ministry staff following last November's overthrow of the Communist regime, said Mr Sacher had kept a senior ex-STB man, Major Vaclav Novotny, as a trusted adviser.

They accused STB agents of influencing Mr Sacher and blocking "all sources of information". Novotny tried to run the ministry when Mr Sacher was away, Ciklamini said.

"The minister has surrounded himself with people who used to be members of the secret police and were active in the fight against internal dissent," commission member Jan Kozlik said.

Results of the commission's work in screening Interior Ministry officials remained on Mr Sacher's desk for several weeks without any action being taken, he added.

The news conference was held in the premises of the Civic Forum movement, which has spearheaded recent criticism of Mr Sacher as being too soft on former police agents and informers.

Mr Sacher, a member of the centre-right People's Party which was allied to the Communist Party until last November, defended his approach towards ex-STB members.

"People forget that not all these people can accept current developments. Many have lost lucrative jobs and privileges," he said.

Mr Sacher had a long discussion about his position with President Vaclav Havel and Prime Minister Marian Calfa *on Tuesday*.

Afterwards, he said four hardline Communist leaders, including former Party secretary general Milos Jakes, were under investigation on suspicion of inviting Soviet troops to invade Czechoslovakia in 1968.

European security tops French-US agenda

By William Dawkins in Paris and Lionel Barber in Washington

EUROPE'S changing security needs are expected to be the *main subject for discussion* between President George Bush and Mr François Mitterrand, his French opposite number, in Florida today.

The first private session between the two men since December takes place in an atmosphere of mutual unease over slight but significant differences in their visions of how Europe's security and political institutions should evolve and what part the US should play.

French officials deny any serious disagreement, but say Mr Mitterrand plans to use the meeting to clarify a number of *issues. While Washington is* unlikely to ask France to join Nato's military wing, it is concerned to see a more co-operative French attitude to the alliance.

The officials have also been stressing in recent days that Mr Mitterrand's ideas for an axis of European defence should in no way diminish the US role in Nato.

"When it comes to maintaining a major alliance with the US, not only are we not against, but we think it is necessary," said Mr Hubert Vedrine, the French President's spokesman.

French officials have emphasised their full agreement with Washington that a unified Germany should be in Nato and that this must be achieved in a way that is not seen as aggressive by the Soviet Union.

Underlying the broad agreement on those general points, however, are differences of emphasis which have emerged in recent months over the future US role in Europe. France is cool to US calls for tighter links between Washington and the European Community, a stronger Conference on Security and Co-operation, and for Nato to take more political decisions.

Mr Mitterrand's plans for a European confederation (unveiled at the new year and since his last private meeting with Mr Bush) do not include the US. Moreover, France feels the EC's response to changes in the east should be to work harder at its own integration and that further changes to European institutional arrangements should come later.

Western alliance begins to march to a different tune

NATO, what Nato? By now, it has become overwhelmingly obvious that the united Germany will be a member of the western alliance.

This is the good news. The bad news is that the rapidly evolving strategic situation in Europe is facing Nato with a series of fundamental dilemmas, and nobody yet knows whether it can find plausible answers to them.

Nato membership is what *the West German Government* wants, it is what Prague and Budapest want, and it is now also the declared wish of the new democratic Government in East Berlin. Objections are still coming in from the Russians, but they cannot now hope to block what has become a fore*gone conclusion*.

The Russian proposal of German neutrality only makes sense, alongside its opposite (and apparently lunatic) demand that a united Germany should belong to both alliances, if Moscow's real objective is not so much a specific status for Germany, as the disintegration of the western alliance as a whole, to match that of the Warsaw Pact.

If Germany is neutralised or paralysed, it means that Nato cannot function as a military alliance; just as important, it means that the European Community would be prevented from exercising the full gamut of powers associated with political integration.

But if this is the Soviet goal, it looks like being disappointed, at least in the short run. Nato will continue to exist, as a voluntary alliance of democratic states, and Germany will continue to belong to it even after unification.

The trouble is that this is not the end of the last reel, in which the west remains strong and free, and rides off into the sunset.

In the brave new world of *perestroika and detente, we do* not yet know whether Nato can remain a going concern as a defensive alliance. It was constructed 40 years ago to keep the Russians out, and it has done so; it remains a voluntary association of sovereign states, and most of them will wish to perpetuate the association; but if the enemy has decided to go home, what is there for the alliance to do?

Mr James Baker, US Secretary of State, has proposed inventing all sorts of new political roles for Nato, such as the support of democracy in eastern Europe, or the promotion of east-west trade and investment.

The proposal is well meant, but it meets two objections, both fatal: these are functions which Nato is entirely unqualified to perform; and Mr Baker's transparent purpose is to perpetuate a vehicle for US leadership of the west, which in the eyes of western Europe is no longer as self-evidently desirable as it seemed during the Cold War.

This leads to the heart of the matter. Many factors point towards a reduced US military presence in Europe; by inference they should also point to a larger and more coherent defensive role for western Europe.

The emerging changes in the relationship between the Soviet Union and its east European neighbours are manifest; it would be perverse to suppose that analogous changes in western Europe could be avoided.

Nato's most basic assumptions are being undermined by events to its east. Two months ago the Soviet Union restated its intention to bring home all its foreign-based troops by 1995-96. Such a move must be the top requirement of European planners, since it would transform the nature of the Soviet threat.

If incorporated in an interna*tional arms control agreement* and rigorously verified, it would almost eliminate the danger of a lightening conventional attack on Western Europe.

But the Soviet Union will no

IAN DAVIDSON ON EUROPE

doubt insist, as the corollary of such a departure, on the removal of all or almost all American troops from the central front.

The basis for such a bargain was imprudently laid by President George Bush last year, when he proposed equal ceilings of US and Soviet forces. Some Western governments, like that of Mrs Margaret Thatcher, want to keep substantial numbers of US troops in Europe. But it will be hard to stick to that preference if the price is the continued presence of Soviet troops in eastern Europe, especially in the Eastern half of a united Germany.

Moreover, it is already a racing certainty that nuclear weapons in West Germany will have to be vastly reduced at the insistence of German public opinion. There will be no replacement for the obsolescent Lance missile, and many other short-range weapons will have to be phased out. But how will the US military feel about that? Already we are beginning *to hear pre-echoes of the old* slogan: "No Nukes, No Troops".

There is a plausible strategic case for keeping Nato going on a care-and-maintenance basis as the best insurance against an uncertain future, even with US troops thin on the ground. But the *fundamental* political question is whether a revamped alliance can stay in business, without a transfer of its political centre of gravity to Europe.

Last month Mr Mark Eyskens, the Belgian Foreign Minister, urged the Community to take up the issue of security policy. Last week Mr Roland Dumas, the French Foreign Minister, proposed that the Twelve should start discussing the first elements of a European defence policy. Even the British Government, in Mr Douglas Hurd, the Foreign Secretary, acknowledges that it will be necessary to re-think the policies, doctrines and structures of Nato.

Whether the European Community is yet ready to take on defence issues may seem debateable. But if the US is to play a smaller role in Europe's defence, Europe must play a bigger role. That means all the European members of the alliance, including France. There is no prospect that France will simply return to the Nato fold, however. Some other process or structure must therefore be found for Europe*ans to handle* their defence issues.

Bulgaria to meet with creditor banks

By Stephen Fidler, Euromarkets Correspondent

DEUTSCHE BANK has been asked by Bulgaria's foreign trade bank, which last month suspended repayments of principal on its foreign debt, to form a group of banks to advise on a debt restructuring.

An initial meeting of the group, expected to concentrate on the short and medium term bank debt maturing in 1990 and 1991, is likely to take place in Frankfurt late this week. Bankers are likely subsequently to visit Sofia.

British, French, Austrian and Japanese banks are among those expected to be represented on the committee.

It is not clear whether the *debt restructuring* will concern all the country's foreign bank debt or only that of the foreign trade bank, which accounts for about 80 per cent of the debt.

Nonetheless, something less than half of the country's estimated $10bn in foreign loans is understood to be affected.

Economy slumps in E Germany

EAST GERMANY'S economy nosedived in the first quarter of 1990 when trade with the Soviet Union slumped and industrial production tumbled, Reuter reports from East Berlin. The number of jobless rose to 38,313 even though the industrial workforce shrank by 124,000 because of the exodus to West Germany.

Official statistics released yesterday showed that industrial output fell by 4.7 per cent in the first quarter of this year compared with the same period in 1989, and the industrial workforce fell by 4.4 per cent to 2.8m compared with the first three months of 1989. More than 100,000 people have emigrated to the west so far this year and a third of a million did so last year.

FINANCIAL TIMES

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British Midland angered by rejection of low-cost business service on London-Paris route

France blocks air fare reduction

By Paul Abrahams

BRITISH MIDLAND, the UK's second largest scheduled airline, yesterday accused France of reducing competition on air routes after being refused permission for a new low-cost business fare between London and Paris.

The Direction Générale de l'Aviation Civile, the French authority which regulates air fares to and from the country, has refused permission for the British independent airline to undercut Air France and British Airways business class fares on the Heathrow-Paris route by 38 per cent.

"The attitude of the French authorities can only be described as obdurate," said Mr Austin Reed, the airline's managing director. "This is the first time that we have run up against the more restrictive regulations prevalent in countries such as France, Italy and Spain."

British Midland wants to offer a return fare of £149 on its Diamond Class service, compared with a business class fare of £240 offered by the national carriers. It already offers similar rates – which require the passenger to return within three days – on domestic journeys and routes to Dublin and Amsterdam.

The British Civil Aviation Authority has approved the rate, but its French counterpart, which has the right until 1993 to veto fares on routes to and from France, claimed the fare would not allow the airline to make money.

British Midland denied yesterday that the rate was a loss leader. A spokesman pointed out that its operating costs were lower than British Airways' and its overheads far below those of carriers on the Continent.

The company is continuing to negotiate with the French authorities.

The airline also announced that it would start regular flights between London-Heathrow and Paris next month. The route is the busiest in Europe, with more than 2.45m passengers a year. British Midland hopes to capture 15 per cent of the market within 12 months.

It claims that on routes it operates without restrictions, such as Heathrow to Amsterdam, fares have fallen by 20 per cent and passenger volumes increased by 30 per cent.

Nine other licences for Continental destinations are held by British Midland. However, Mr Reed warned that the company was increasingly restricted in creating new routes because of congestion at European airports.

"If we do not have the headroom to grow, all the talk about competition and improved customer service will be just that – talk," said Mr Reed.

The company recently put forward proposals to increase Heathrow's capacity by 75,000 take-offs and landings a year. Although Mr Cecil Parkinson, the British Transport Secretary, appeared to rule them out, the airline claims they are being actively considered.

Pollution may force E German plant closures

By Tim Dickson in Brussels

FACTORIES in East Germany currently polluting the environment may have to be shut down as the price for integrating the country into the European Community.

This stark warning is set out in a confidential paper agreed yesterday by the European Commission on the implications for the Community of German unification.

The text – intended as the basis for discussion by heads of state and government at the special EC summit in Dublin in 10 days time – deals in mostly general terms with some of the main problems which will arise during what it calls the "interim adjustment stage" before formal unification of the two Germanys.

It says that because of the gravity of the situation in East Germany and the urgency of the problem, the environment calls for "most particular attention"; that East Germany is one of the last countries still operating a large coal-based chemical industry making heavy use of brown coal; and that a distinction will have to be made between industries where pollution is too high for them to be adapted (and will have to be closed down) and those where anti-pollution equipment could be fitted to bring them closer into line with Community standards.

Former conscientious objector Mr Rainer Eppelmann (right), took command of East Germany's armed forces yesterday, saying disarmament and guarding a new democracy would be his main tasks. Mr Eppelmann was introduced to his new domain by his Communist predecessor, Admiral Theodor Hoffmann (centre), and Gen Vladimir Shuralyov (second left), the Warsaw Pact representative in East Germany's armed forces.

References to closing down are understood to have caused some apprehension yesterday among commissioners and it is thought that this wording may be toned down in the final version.

● East and West Germany will eliminate passport controls at their joint border by this summer, their interior ministers announced yesterday, writes Leslie Colitt in East Berlin.

In a symbolic gesture presaging the unification of Germany, the ministers agreed at a meeting in Bonn that the only border controls would be at the perimeter of the newly-emerging German state.

The two parts of Germany would also work out a joint policy on granting visas, the ministers said. The agreement on eliminating border controls would be made possible by economic and currency union, details of which are to be worked out between the two states by the end of this month.

Lithuania looks for more than words of support from West

WHATEVER rhetorical support Lithuania may be receiving for its independence struggle, the republic is unlikely to receive much practical help from abroad if Moscow carries out its threat to cut off energy supplies.

The threat of a blockade has raised considerable fear in the republic, underlined yesterday by the departure for Norway of Mrs Kazimiera Prunskiene, Lithuania's Prime Minister, who said she would be discussing possible oil purchases.

Lithuanian officials said oil and gas supplies were flowing normally despite earlier reports that deliveries of crude to the big oil refinery of Mazeikiai, north of the capital, Vilnius, would be stopped early yesterday.

The refinery provides all Lithuania's oil, as well as supplying Latvia, Estonia and the Russian region of Kaliningrad. The rest of its output is exported to the West.

Lithuanian leaders have spoken in recent days of offers of help from Scandinavian and other western nations but have been vague on details.

While several western governments have urged Moscow to refrain from violence against the republic, none has publicly come up with detailed offers of help in the event of a blockade.

One reason for this is the difficulty of reaching the Soviet-controlled port of Klaipeda on Lithuania's Baltic coast. There would also be the legal hurdle of exporting to a territory which has not so far gained diplomatic recognition as an independent state from any western country.

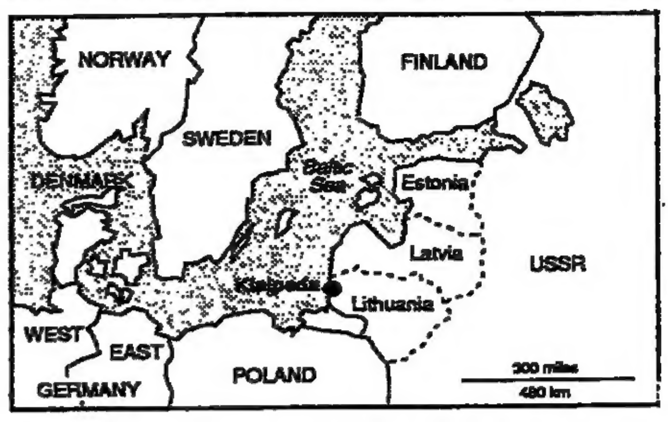
President George Bush said this week the US was considering "appropriate responses" if Moscow carried out its threats. Mr James Baker, his Secretary of State, warned the Soviet Union yesterday that failure to resolve the crisis in Lithuania was threatening US-Soviet trade and commercial contacts.

But US officials have been careful to avoid threats that the crisis could affect such key issues as arms control, talks on German unification or the May 30 summit with Mr Gorbachev.

Mr Vytautas Landsbergis, the Lithuanian President, said this week that Scandinavian countries had offered "material support" if Moscow were to cut off vital supplies.

But it is unlikely that Sweden, for one, would be able to provide any tangible economic assistance. The country lacks the natural gas Lithuania would need to replenish its energy needs.

Nor can Finland hope to fill gaps left by a gas boycott. The Finnish Government is even less likely to do anything that would be seen as provocation by Moscow. Finland's own oil and gas needs are met from Soviet sources under the bilateral trade agreement that it has with Moscow.



Norway, western Europe's second biggest oil producer after Britain, said its oil companies were free to sell to Lithuania if it asked for help.

None of Norway's three oil companies had received any requests from Lithuania for oil or gas, but they said any approach would be considered on a purely commercial basis.

Statoil, the Norwegian state oil company, said that it would meet Mrs Prunskiene if asked and would consider supplying crude oil in the event of a Soviet blockade of energy.

"Statoil would evaluate seriously a request by Lithuania for crude oil or crude oil products supply if there is a possibility of securing a commercial agreement," Mrs Berit Oeyan, a Statoil spokeswoman said.

But the company said there could be problems in delivering crude oil with the tankers it uses because the Lithuanian port facilities were too small. It could be technically easier to supply by-products of crude oil.

Mrs Prunskiene said in a newspaper interview last month that Lithuania was holding talks with West German suppliers as part of a contingency plan.

But in Bonn yesterday, the Economics Ministry said it had received no requests for possible help in the event of an energy and economic blockade. In common with energy concerns such as Veba and Ruhrgas, the ministry saw little scope to help in the event of the Soviet Union cutting off gas supplies, because these come in by pipeline.

Within the Soviet Union itself, aid has been promised by the popular fronts of Latvia and Estonia, the two other Baltic republics, and by Moscow and Leningrad radicals. Since the former groups effectively control the supreme soviets in those republics, they are in a position to implement it.

Under the terms of an agreement to form a "Baltic Common Market" signed in Vilnius, the Lithuanian capital, last week, the three republics have an obligation to assist each other in times of emergency.

But they say they have not been asked. A spokesman for Estonia's Foreign Ministry suggested that the republic might supply paper, which it produces in abundance. But asked if it would provide electricity, of which it also has a surplus, he said it would be "very complicated."

None of the other Soviet republics is likely to give orders to supply Lithuania in defiance of Moscow – the more so since all are jealously hoarding their supplies as far as they can.

Reports by John Lloyd in Moscow, Lionel Barber in Washington, Karen Fossli in Oslo, Robert Taylor in Stockholm and Andrew Fisher in Frankfurt

Saudargas says Soviet action may 'strangle us'

By Robert Taylor in Oslo

LITHUANIAN Prime Minister Mrs Kazimiera Prunskiene and her foreign minister Mr Algirdas Saudargas arrived in Oslo last night for a planned two day visit to Norway.

In an interview with the Financial Times on the aeroplane from Stockholm, Mr Saudargas said that they hoped it will be possible to reach an agreement with the Norwegians on supplying his country with oil and gas following the Soviet energy boycott.

He emphasised that the situation in Lithuania remains "unpredictable," adding that the Soviet authorities could "strangle us" economically.

However, he warned that economic sanctions against Lithuania would "disturb the whole region and lead to instabilities. I do not believe that Moscow can risk such an outcome."

Mr Saudargas went on to suggest that a Soviet economic boycott of his country provided the Western nations with an opportunity to make a tangible response in helping Lithuania overcome its difficulties. "There was nothing you could do about the military campaign of intimidation except to console and encourage us with words.

"By using economic means against Lithuania, the Soviet Union's claim that it was an internal matter could no longer be sustained."

Mr Saudargas also asserted that Lithuania would not give up its independence through an economic boycott. "There are Lithuanians who survived Siberian labour camps with nothing. It would be shameful now if we gave up because we could not survive without oil and gas."

The extraordinary course of events over Lithuania is well illustrated by the fact that the Lithuanian delegation flew to Oslo from Vilnius via Moscow and Stockholm. "This is a paradox of our situation," he added.

"The Soviet Union recognise our Government but do not recognise our independence, while the outside world symphathise with our independence cause but do not recognise our Government."

German tyre groups plan link

By Andrew Fisher in Frankfurt

CONTINENTAL of West Germany, Europe's second largest tyre producer, yesterday said it was planning a partnership with the East German tyre industry.

The type of co-operation would depend on the results of studies into the state of the market and of production in East Germany.

Managers from Conti and VEB Reifenkombinat Fürstenwalde, the East German tyre concern, will draw up a contract in coming months.

The East German company is the country's only tyre producer, employing 10,500 at five plants. It manufactures around 8.5m tyres a year under the Pneumant name; around 25 per cent of these are exported, nearly half to the West and the rest to Eastern Bloc countries.

Conti said productivity of the Pneumant plants was well below that of western Europe. Mr Horst Urban, Conti's chief executive, said the plants would have to be modernised and rationalised, though he gave no indication of the investment needed or how many jobs would be kept.

Conti said the East German tyre market totalled around DM500m compared with DM4.5bn in West Germany.

Farm reform gulf yawns as trade talks start

By Peter Montagnon in Puerto Vallarta, Mexico

TRADE ministers from nearly 30 countries began a three-day meeting here last night amid hopes that they would give a much-needed political boost to the flagging Uruguay Round of multilateral trade negotiations.

However, even before the meeting started, it became clear that the US and the European Community had little prospect of closing the gulf between them on the central subject of reforming world farm trade.

After a long meeting with Mr Desmond O'Malley, Ireland's Trade Minister, Mrs Carla Hills, US Trade Representative, said the two sides were still "quite far apart".

Mr O'Malley, whose country holds the presidency of the European Community, declined to comment, but other European officials said the EC faced practical obstacles in developing its position here because only seven of its 12 member states were represented.

An outstanding absentee is Mr Helmut Haussmann, West German Economy Minister, whose decision to give the meeting a miss is seen by some as likely to fuel criticism among members of the General Agreement on Tariffs and Trade that Europe is now too preoccupied with events in the East bloc to give the Uruguay Round the requisite political attention.

Mr Carlos Salinas de Gortari, Mexico's President, was due at the opening dinner last night to urge the ministers to overcome their differences speedily to allow the Round to conclude successfully on time in December.

One hope is that by meeting now the ministers will succeed in pushing the Uruguay Round higher up the international agenda, possibly with the result that basic political commitments needed to reinvigorate the negotiations could be made at the seven-nation Houston economic summit.

The talks include reform of trade in textiles as well as agriculture. Slow progress by the industrial countries in these two areas has discouraged the developing world whose commitment to the talks is flagging.

A determined effort is expected to be made at this week's meeting to bring leading developing countries back on board in the Round.

The meeting will also hear a proposal from Canada that the Gatt should be converted into a fully-fledged international organisation, but though several ministers have supported this idea in principle, most say detailed discussion should wait till after the Round is over.

Desmond O'Malley: talks with Carla Hills

Carla Hills insists on naming unfair trading practices

By Peter Montagnon

THE US indicated yesterday it would go ahead with plans to produce a new list of countries guilty of "unfair" trading practices at the end of the month despite fears among its trading partners that this could jeopardise the Uruguay Round of trade talks.

Noting that such a list was called for by April 30 under Section 301 of the 1988 Trade Act, Mrs Carla Hills, US Trade Representative, said: "I don't think anyone suspects that we will not implement our law.

"We intend to implement our trade law in a manner that is entirely consistent with our objectives in the Round."

This approach would follow the example set last year, when the US cited Uruguay Round priorities such as public procurement as the grounds for singling out Japan, Brazil and India as unfair traders, she said.

Her remarks suggested that the Bush Administration is unlikely to exercise the discretion it is allowed under the Act and not name any countries this year in order to help steer the Uruguay Round through its critical final phase.

Though the US makes a distinction between targeting countries and targeting practices, this is largely lost on its trading partners who resent being asked to negotiate under threat of sanctions.

The European Community, in particular, has been pressing the US to renounce unilateralism in order to facilitate negotiation of a stronger dispute settlement system in the General Agreement on Tariffs and Trade.

Mrs Hills said yesterday, however, that the US could not abandon its unilateral approach before "comprehensive, liberalising rules" were written into the international trading system.

Nor did she accept that the approach that the US had taken towards Japan had been disruptive.

Recent US agreements with Japan on trade in supercomputers, satellites and on structural economic changes had "led to greater harmony rather than less."

None the less participants at this week's meeting expect it to be overshadowed by concern over US unilateralism in trade, not least because of another deadline facing the Bush Administration today.

It has to decide whether to accept a petition by the US engineering company Allied Signals to take action against Japanese trade barriers in the field of amorphous metals, a product which has special application in conducting electricity.

Loan provisions bring big loss for Canada's export credit agency

By Bernard Simon in Toronto

BIG provisions for loans to Third World and eastern European countries pushed Canada's official Export Credit Agency into a large loss last year.

The Export Development Corporation said in its annual report that it boosted loan loss provisions by transferring the C$100m (£52m) balance in its contingency fund, plus C$100m from retained earnings. These provisions resulted in a net loss of C$198.8m last year, compared to earnings of C$4.2m in 1988.

As a result of the extra provisions, allowances for loan losses (excluding non-accrued interest) totalled C$376m at the end of last year, compared to C$167m a year earlier.

But in a statement qualifying the EDC's accounts, Mr Kenneth Dye, Canada's auditor-general, said that the allowance for loan losses is "significantly understated." Mr Dye said the provisions applied to loans of only C$376m out of the EDC's total loan receivables of C$5.5bn, including C$4.7bn in sovereign risk loans.

The dispute relates to conflicting opinions on the collectability of troubled sovereign loans.

Non-performing loans of this type, mainly in South America, eastern Europe and north and west Africa, jumped to C$937m last year, from C$593m in 1988. In addition, accumulated interest on non-current sovereign loans climbed to C$430m from C$288m.

The auditor-general said his analysis indicated that the provisions should be raised by "at least" C$500m, an amount which would have caused a significant impairment of EDC shareholders equity by turning retained earnings into a deficit of almost half a billion dollars.

The corporation countered that although indefinite delays in principal and interest payments may have to be accepted, the ultimate collectability of a sovereign loan is generally "not subject to question."

Non-performing loans are defined as those on which significant payments have not been received for one year after a rescheduling agreement, or two years where there have been no rescheduling measures.

The agency's export financing business rose by 6 per cent last year to C$1.6bn, while insurance underwritings and guarantees grew by 10 per cent to C$4.5bn. But it cautioned that "the inability of a number of developing countries to service further credit at this time has narrowed the number of markets in which Canadian exporters and EDC can join in obtaining new business." With the aim of concentrating its efforts on better-risk markets, the corporation is giving high priority to business in Asia, the Pacific Rim and Europe.

Asia and the Pacific made up almost 40 per cent of the EDC's financing business last year.

Hughes to build satellites for Brazil

By John Barham in Sao Paulo

THE Brazilian Government has awarded a contract for two communications satellites to Hughes Aircraft of the US, together with a Brazilian partner. The satellite and launch package will cost Brazil $253m.

The satellites will be launched in 1993 and in 1995 by Arianespace, the European launch company.

They will be fully financed by the US Eximbank and Citibank and the US will offset the contract by buying Brazilian goods and services.

Hughes will transfer satellite construction and operating technology and Arianespace will transfer rocket technology to Brazil.

Brazil was to have chosen the winner for the contract last year, but postponed the decision five times.

The Government of Mr Jose Sarney finally decided to leave the choice for President Fernando Collor de Mello. The final deadline for choosing between Hughes and its rival, the Franco-Canadian Spar-Matra consortium, was due to expire at the end of this month.

It is understood that the government's indecision arose because of intense pressure from the powerful Globo publishing and television conglomerate to award the contract to Spar-Matra.

A Globo affiliate had a share in the consortium. However, specialists in the government-owned telecommunications agency Telebras had urged the choice of Hughes because it was cheaper and fully met the agency's specifications.

Pilot error seen as main cause of Indian air crash

By David Housego in New Delhi

PILOT error was the main cause of the crash of an Indian Airlines Airbus 320 in Bangalore in February in which 92 people died, according to a report by the accidents division of the Indian Directorate General of Civil Aviation (DGCA).

The report, submitted to the court of inquiry in Bangalore to establish the reasons of the crash, is likely to have an influential bearing on the outcome of the inquiry.

Extracts of the 60-page report were leaked yesterday to the Indian press. According to these, the crew made two errors in their approach to a visual landing at Bangalore.

The first was that 35 seconds before the crash they ordered a descent to 3,270 ft, or well below the 6,000 ft which is the minimum descent altitude for an approach to Bangalore before final touchdown. The report says that "improper selection" of altitude resulted in the engine thrust being reduced to idle so that the aircraft could not sustain the required speed and approach.

The second error noted by Mr Sathendra Singh, the Inspector of Accidents of the DGCA, was that the co-pilot failed to disengage his flight director – the aircraft's guidance system – during the final descent.

The report says that if Captain Gopujkar, the co-pilot, had disengaged his flight director when Captain Fernandes, the pilot in command, disengaged his at 21 seconds before the crash, the speed control system would have come into force and engine power started to build up.

Preliminary hearings before the court of inquiry are to be held on April 24. The court under Mr Justice Shivashankar Bhatt is expected to issue its findings before May 31.

Delhi moves towards telecom compromise

By David Housego

THE Indian government yesterday appeared to be edging towards a compromise in the controversy over telecommunications policy.

Mr K P Unnikrishnan, Minister for Communications, backed away from some of his harsher criticism of the Centre for the Development of Telematics (C-DOT) headed by Mr Sam Pitroda, which has been developing an indigeneous large capacity ditigital switching system for urban telephone exchanges.

At the same time Mr Pitroda's supporters have let it be known they are now agreeable to Alcatel of France supplying large switches in the 40,000 lines and above capacity which C-DOT has yet to develop for commercial use. Alcatel's E10B switching equipment is already made under licence at Mankapur in the north of India.

Mr Unnikrishnan, who does not conceal his antipathy for Mr Pitroda, has none the less been embarrassed by demonstrations by C-DOT staff outside the Prime Minister's residence and by C-DOT employees boycotting a meeting at which he was speaking in Bangalore.

His discomfort has reached the point at which there has been speculation he could be displaced in a cabinet reshuffle likely later this week. But he also holds the portfolio of surface transport, which he seems likely to retain.

In a gesture of support for C-DOT, which has come under fire for delays in developing a large capacity switch, the Minister said that he had always been opposed to entry of multinationals into India and there was no change in his stand.

Ivory Coast suspends austerity measures

By Mark Huband in Abidjan

IVORY Coast has suspended severe economic austerity measures after public protest and political pressure forced a review of government policy.

The political bureau yesterday decided to scrap extensive wage cuts aimed at cutting spending and an inter-ministerial committee has been set up to review the economic austerity programme agreed with the World Bank and International Monetary Fund in July 1989.

The 18-month programme is aimed at revitalising the Ivory Coast's economy which has been severely hit by falls in world prices for cocoa and coffee its main exports.

Public sector pay cuts of up to 40 per cent were imposed on March 31 for all employees earning more than $300 per month. The aim was to reduce government spending to fill a $390m financing gap in the 1990 budget.

The cuts sparked the most serious rioting recently seen in the Ivory Coast.

Pressure from France, Ivory Coast's former colonial power is believed to have led to the review of the measures following discussions last week between government officials and Mr Jacques Pelletier, the French Minister of Co-operation and Overseas Development.

The inter-ministerial committee is to be chaired by Mr Alassane Quattara, Governor of the West African Central Bank (BCEAO). The committee is expected to examine all aspects of the economic austerity programme.

Last week the first signs of doubt about pay cuts came when employees of the state post and telephone services who were to see salary reductions received their full pay.

Reductions in the cost of food, rents and other prices have been resisted by businesses despite Government attempts to ensure that the cuts are introduced.

The austerity measures caused uproar among Ivory Coast's 97,000-strong public sector workers. The capital, Abidjan, became the scene of running battles between the armed forces and protestors. Abidjan university and all schools in the city were closed on March 3 in a bid to disperse student protestors. Although they were reopened two weeks ago, the academic year was completely abandoned on April 7 after riots throughout the country led to the death of a student in the town of Adzope.

S Koreans boost overseas investment

By John Ridding in Seoul

OVERSEAS investment by South Korean companies increased sharply in the first quarter of the year, according to figures released yesterday by the Bank of Korea.

The central bank said that 125 new investments, worth $383m, had been approved during the period, compared to $127.66m for the first quarter of 1989.

Korean industry is increasingly seeking overseas production bases as a means of avoiding the threat of protectionism in the European Community and the US, and to gain access to cheaper labour costs in south-east Asian and Latin American countries.

The latter trend has been accelerated by a sharp increase in South Korea's labour costs and an appreciation of the Korean currency over the past three years.

The most favoured location for new investment was North America, which saw 30 projects worth $164m in total. South-east Asia ranked second with 73 projects, worth $162m, while western Europe saw seven projects worth $38m.

There was also a recovery in investment in China which had fallen off sharply after the suppression of the Tiananmen Square protests last June. New investment amounted to $25.2m much of which resulted from a single investment by Samick, South Korea's largest manufacturer of musical instruments.

More than half of the new investment was in manufacturing projects. Textiles and footwear was the largest single sector, accounting for 23 projects worth $36m.

Petrochemicals and pre-fabricated metals and machinery also saw marked increases.

The figures also showed a sharp rise in overseas projects by small businesses, which raised their overseas investments by 50 per cent to $60m.

Analysts said that they expected the increased trend of overseas investment to continue and that a number of new projects in Europe would be announced shortly.

However, they said that several Korean textiles and footwear companies were reconsidering plans to invest in lower cost countries because of concerns over product quality.

Beirut children killed in bus

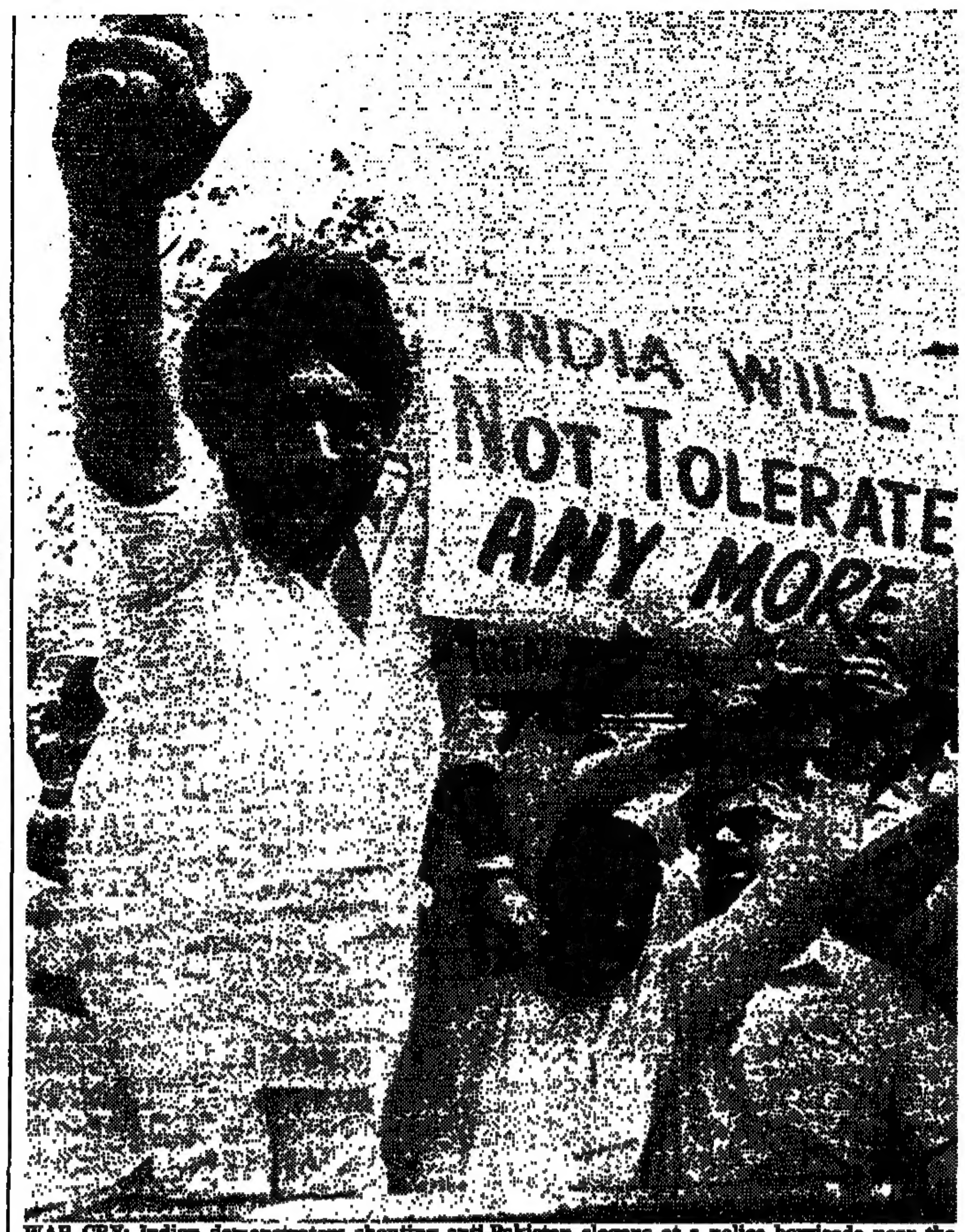
By Lara Marlow in Beirut

AT least 15 people including 11 children were burned to death when a school bus crossing from Moslem West Beirut to Christian East Beirut was hit by machine gun fire yesterday and caught fire.

The bus carried Christian teachers who worked for the Al-Mraijeh school in West Beirut and their children.

More than 950 people have been killed and at least 3,000 others wounded since Gen. Aoun's forces began fighting the militia on January 30.

For more than two weeks after the conflict started, the bodies of civilians shot by snipers lay rotting in the no man's land between the museum and Lebanon's Palace of Justice. Earlier yesterday four soldiers loyal to Gen Aoun died in an explosion at the ministry of defence in the East Beirut suburb of Yarze. The explosion gutted two floors of the building and wounded Capt Antoine Abu Samra, the commander of Gen Aoun's 1,500-man special strike force. The reason for the explosion was not clear.



WAR CRY: Indian demonstrators shouting anti-Pakistan slogans at a police barricade near the Pakistan embassy in New Delhi yesterday

IVORY TRADE

Ban has mixed impact on prices

By William Dullforce in Geneva

THE PRICE of ivory has plummeted in North America, remained stable in Europe and risen in Japan three months after the international ban on ivory trade came into force, IUCN, the World Conservation Union, reported yesterday.

The effect of the ban on the slaughtering of elephants in Africa was difficult to evaluate, Dr Stephen Edwards, co-ordinator of the IUCN's species conservation programme, said. But poaching appeared to have declined in Zaire, Congo, Gabon and some other countries. In Somalia last month poachers were selling ivory tusks at $5 a kilo compared with a peak price of around $100 in 1989.

Retail prices in Japan and Hong Kong had increased by about 12 per cent amid anxiety about the future of the ivory carving industry, according to reports to the IUCN.

Prices for speciality items used in musical instruments had doubled and traders who had stockpiled before the ban came into effect were making large profits.

In contrast, US prices had already fallen by between 40 per cent and 60 per cent before the ban took effect. In Hawaii, the biggest centre for the ivory trade in the US, prices fell by up to 70 per cent in February.

In Europe, Belgian traders reported a marginal decline in prices but demand had remained fairly steady, especially for high quality items, and they were optimistic that prices would improve again.

The disparities in reaction among the three main importing areas are abscribed to differences in culture and attitudes to wildlife conservation. The IUCN suggests it is too early to assess the impact of the ban on the ivory trade and on the killing of African elephants. The decision was taken after an emotional debate last October by more than 100 countries under the Convention on International Trade in Endangered Species (Cites).

Five African states – Botswana, Malawi, South Africa, Zambia and Zimbabwe – have declared reservations about the decision and 10 others are not parties to Cites. The southern African states are establishing a common ivory market with an auction house in Botswana.

Acknowledging that the problem of saving the African elephant; which has dwindled in population from 1.3m in 1976 to just over 600,000, remains unsolved, the IUCN has proposed a new strategy.

This would aim at careful economic management of elephant stocks and would recognise that there is a real conflict between the growing numbers of land-hungry Africans and elephants that require large habitats.

Instead of dealing with the African elephant on a continental scale, programmes would be adjusted to take into account regional differences and give local communities the power to decide over management of their own wildlife resources.

Plan to phase out Taiwan old guard

By Peter Wickenden in Taipei

THE RULING Kuomintang Party in Taiwan yesterday announced a plan to try to oust all elderly mainland Chinese legislators, who have dominated the island's parliament for the last four decades.

The move comes after a wave of protests over the slow pace of democratisation since martial law was lifted in 1987.

The KMT was taken aback by criticism in the run-up to a token presidential election in March. Students staged a week-long hunger strike to demand a timetable for rejuvenation of the country's tricameral congress.

At a meeting yesterday, members of the KMT central standing committee, chaired by President Lee Teng Hui, voted unanimously in favour of a two-year retirement plan.

Initially, 16 parliamentarians who have been too senile or sick to attend debates, or who have been abroad for long periods, will be "persuaded" to retire by the end of June. Another 32, aged over 85, will be urged to go by the end of this year, and all 125 should be drawing pensions by the end of 1991.

The KMT has always resisted forcing the old guard to retire, claiming this would be undemocratic and constitutionally impossible. A voluntary retirement scheme offering large sums of money to those who would step down has met with little success.

Bombastic Iraq brings pride and fear to Arabs

Victor Mallet analyses Saddam Hussein's ill-concealed ambitions

PRESIDENT Saddam Hussein's bold portrayal yesterday of Iraq as the protector of the Arab world has underlined his ill-concealed ambitions for military supremacy and regional leadership, but his latest belligerent comments are not likely to be welcomed by other Arab governments.

At home Mr Saddam has already established a grotesque personality cult, likened himself to Nebuchadnezzar, and traced his ancestry to the Prophet Mohammed.

His recent speeches show that he now sees himself up as the champion of non-aligned states against the superpowers, and as the leader of the Arabs in their long-standing conflicts with the Persians and the Jews.

Yesterday's ringing declaration was more specific than ever. "He who launches an aggression against Iraq or the Arab nation will now find someone to repel him, because Iraq is part of the Arab nation," he said in a televised speech.

Iraq, Mr Saddam said, was ready to repel an attack on any Arab country by any aggressor. "If we can strike him with a stone, we will. With a missile, we will... and with all the missiles, bombs and other *means at our disposal*," he said.

Since the 1988 ceasefire ending the Gulf war, during which the Gulf states supported Baghdad to ensure the containment of the Islamic revolutionaries in Tehran, Arab leaders have eyed Mr Saddam's increasing bombast with considerable concern.

Kuwait, rich in oil but small and vulnerable, remains fearful of Iraqi expansionism. Even King Fahd of Saudi Arabia felt moved to sign peace agreements with Mr Saddam a year ago although Saudi Arabia and Iraq were already allies.

Egypt, finally returned to the Arab fold after a decade of being shunned for its peace treaty with Israel, is in a particularly sensitive position as it tries to re-establish its own leading role.

When US senators met President Hosni Mubarak of Egypt last week and the conversation turned to Mr Saddam, the Egyptian leader asked: "Why don't you go and talk to him yourselves?". He telephoned Mr Saddam and arranged a meeting on the spot.

The senators, led by Mr Robert Dole, the Republican leader, went off to Iraq for an audience with Mr Saddam at which the Iraqi leader proposed the destruction of non-conventional weapons if all countries of the region, including Israel, agreed.

The episode *said a lot about* the informal ways of Arab politics, but more importantly it revealed the extent of Egypt's own concern at the danger of Iraq becoming more and more isolated and belligerent.

While the Egyptian official press has been giving full weight to Arab support for Mr Saddam in the face of what is being portrayed as a Western-inspired campaign against him, Egyptian officials are much less enthusiastic.

Egypt hoped *that its own* re-emergence as the Arab world's pivotal state would encourage a new era of collective Arab moderation, but it now fears that the centre of Arab gravity is unexpectedly shifting towards Baghdad.

Mr Mubarak's own visit to Iraq earlier this month was widely seen as an attempt by the Egyptians both to show solidarity with Iraq, and, more specifically, to try to calm the situation.

With its treaty obligations to Israel, its heavy dependence on US assistance, and its desire to appear both moderate and moderating, the last thing Cairo wants is for renewed *Arab-Israeli conflict*. Egypt worries that willy nilly it might become involved.

Egyptians *also* have fairly recent and very negative experiences of demagoguery under both Presidents Nasser and Sadat. Disturbingly, they are detecting similar tendencies on the part of Iraq's ruler.

They will not have been encouraged by his further all-embracing threats this week, especially since it is a reminder that Egypt, too, has obligations under the Arab Defence Pact that enjoins Arab states to come to each other's defence in the event of external aggression.

But even the most moderate of regional rulers such as Mr Mubarak himself and King Hussein of Jordan recognise that the Iraqi leader's bellicose statements are striking a popular chord in the Arab world at a time when Soviet Jewish emigration to Israel has raised fears of a new outbreak of Israeli hostility.

Many Arabs, although they recognise that Mr Saddam rules by brute force in Iraq, welcome his defiance of the world and his attempts to dispel with his rhetoric the shameful and prevailing image of Arab weakness.

Scarcely a day passes without the press somewhere in the Arab world editorialising in favour of the Iraqi leader's stand against Israel and the West.

Signs that Arab rulers are reassessing their options in light of changes in Eastern Europe has encouraged renewed speculation that Syria may be prepared to bury its differences with Iraq, and vice versa.

President Hafez al-Assad of Syria this week hinted at the possibility of a reconciliation. If he does indeed sue for peace in his long and bitter struggle *for supremacy with his arch* rival Mr Saddam, it would probably be represented in the Arab world as something of a victory for the Iraqi ruler.

The Arabs are also talking seriously about the need to convene the first full-scale Arab summit in almost a decade. Mr Saddam could be expected to exploit such a forum to the limit.

In the long run the main weak link in Mr Saddam's armour could be the cost of his *ambitions at home rather than* the concern with which he is viewed in Arab capitals. Iraqis resent both the economic expense of the country's continued military build-up and the sufferings of the 70,000 Iraqi prisoners languishing in Iran in the absence of a final peace.

A GROUP calling itself the Tunisian Arab Revolution has threatened to attack Britons and Americans in retaliation for their governments' recent conduct towards Libya and Iraq, writes Jihan El-Tahri in Tunis. A communique said the group will retaliate because of British and US involvement in the fire at the Rabta Libyan chemical plant.

Drought-struck Tunisia slow to dismantle ailing state sector

Francis Ghiles, recently in Tunis, explains why fears of more job losses have helped to curtail the country's privatisation programme

DETAILS of Tunisia's privatisation have been slow to emerge despite the size of the country's state sector and the government's avowed determination to sell parts of it off into private hands.

Most officials are highly secretive about a process which started in 1986 with the sale of two hotels and so far has resulted in partial or total sale of 26 state enterprises worth a mere TD89.9m (£60m).

The reasons are not hard to find. A savage two year drought from 1987 to 1989, the worst plague of locusts in 30 years and floods which last January wrought damage worth an estimated $250m have already cost thousands of jobs and privatisation will undoubtedly bring many more redundancies. Tunisian leaders are fearful of publicly pushing privatisation plans because they fear job losses might be exploited by Islamic fundamentalist groups and lead to social unrest.

The basic statistics on the sector are straightforward enough. There are 293 enterprises in which the state has a stake. They account for 28 per cent of GDP, 30 per cent of new investment and 66 per cent of all exports.

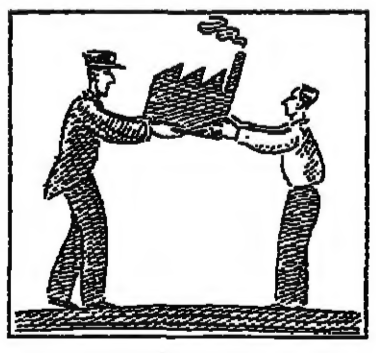
Their foreign debt of Tunisia Dinars 2.5bn (£1.7bn) at the end of 1988 made up 47 per cent of the country's total, while state controlled companies account for just over a quarter of all formal sector wages, and pay twice the average wage.

The government has vowed in principal to denationalise much of the sector. In hotels and textiles it has made considerable headway but elsewhere it has been slow to act.

Apart from fears of social unrest there has been the difficulty of overcoming vested interests. The old system has proved difficult to uproot, for it was based not simply on the supremacy of a rich elite but on a mutual support system involving political leaders, trade unions and low income people.

Equally debilitating has been the continuing pervasive influence of the state throughout the economy offering an unfriendly environment for successful privatisation.

The government still controls *most prices, wages and rents, while* the state is the leading client of many small businesses. Public sector enterprises in Tunisia have often failed not because officials initially made poor investment choices, but because the state imposed constraints in terms of pricing and overstaffing and there are fears that this might continue.



UNBUNDLING THE STATE

Interference in management has often led to directors being selected more for political loyalty than for their expertise. Associated with this *is the traditional attitude of Tusi*sians towards public property, which is referred to as *rizk al beliq*, a phrase which conveys an attitude of indifference and negligence towards governments assets, too often used for personal profiteering.

The lessons of the market place have seldom been applied. Since 1986 only one company, the STIA car assembly plant in Sousse has been liquidated. Its losses had reached TD40m and its debt TD90m. But the government still promised to pay the 2,200 workers until they found new employment.

Over the past four years, the state has sold the 15 hotels owned by its Société Hotelière et Touristique de Tunisie and which in 1984 made a loss of TD27.5m.

Three factors explain why selling the hotels was relatively painless. First, Tunisian and Kuwaiti investors are attracted to investment in real estate. Second the state has wiped the hotels' slate clean of all debt. And finally, this sector has witnessed a continuous boom since the dinar was devalued by 40 per cent in stages from 1986.

In the important textile sector, a big employer and foreign income earner, one company, Sitex has now been succesfully privatised.

Overstaffing, poor management and financial deficits which characterised Sitex in 1980 were all corrected, with the help of International Finance Corporation (IFC), the private sector arm of the World Bank, which now holds 10 per cent of the stock.

IFC brought in the Canadian company Dominion Textiles, 10 years ago, as technical adviser. It now buys all the denim fabric which Sitex ships abroad and increased its stake from 15 to 44 per cent in stages. Employees of Sitex own 15 per cent of the shares which they have bought with a fund set up by IFC while the Tunisian-Saudi consortium bank, Stusid holds a further 30 per cent.

Another change brought in by privatisation at Sitex has been the introduction, for the first time in Tunisia, of four working shifts daily, 7 days a week for 330 days a year, instead of the three daily shifts for a five day week which characterises most industries. These changes have led to a 27 per cent increase in output.

The three remaining companies in the large state controlled Sogitex textile group - Tissmok, Somotex and Siter - are being sold off, putting all the country's textile industry in private hands.

Despite its success, the Sitex case provoked criticism. The company was sold, as in the case of the hotels, directly to interested parties, and not to the public through the stock market. Critics of the government protested at what they felt was a "secret" sale.

But more recent sales of companies such as Stumetal, which specialises in metal packaging, through the stock exchange, have not satisfied the critics.

Other succesful privatisations have included the marble quarries at Thala (for TD100,00) where production has risen sevenfold since 1986, the number of employees has increased threefold and new plant acquired; the wood importer and distributor Tunisie Bois (for TD3.5m), a chain of shops, the Comptoir Sfaxien (for TD2.7m) and the white goods producer Confort (for TD3.5m).

Not all efforts to sell off state controlled companies have been successful. Last summer's attempt to privatise Sotuver, the bottle maker, was a flop. The company was regarded as overstaffed, had a bad strike record, and its shares were seen as overpriced.

Even after privatisation, Sotuver remained saddled with the rigid rules imposed on most state companies, such as having to buy raw materials once a year through public tender.

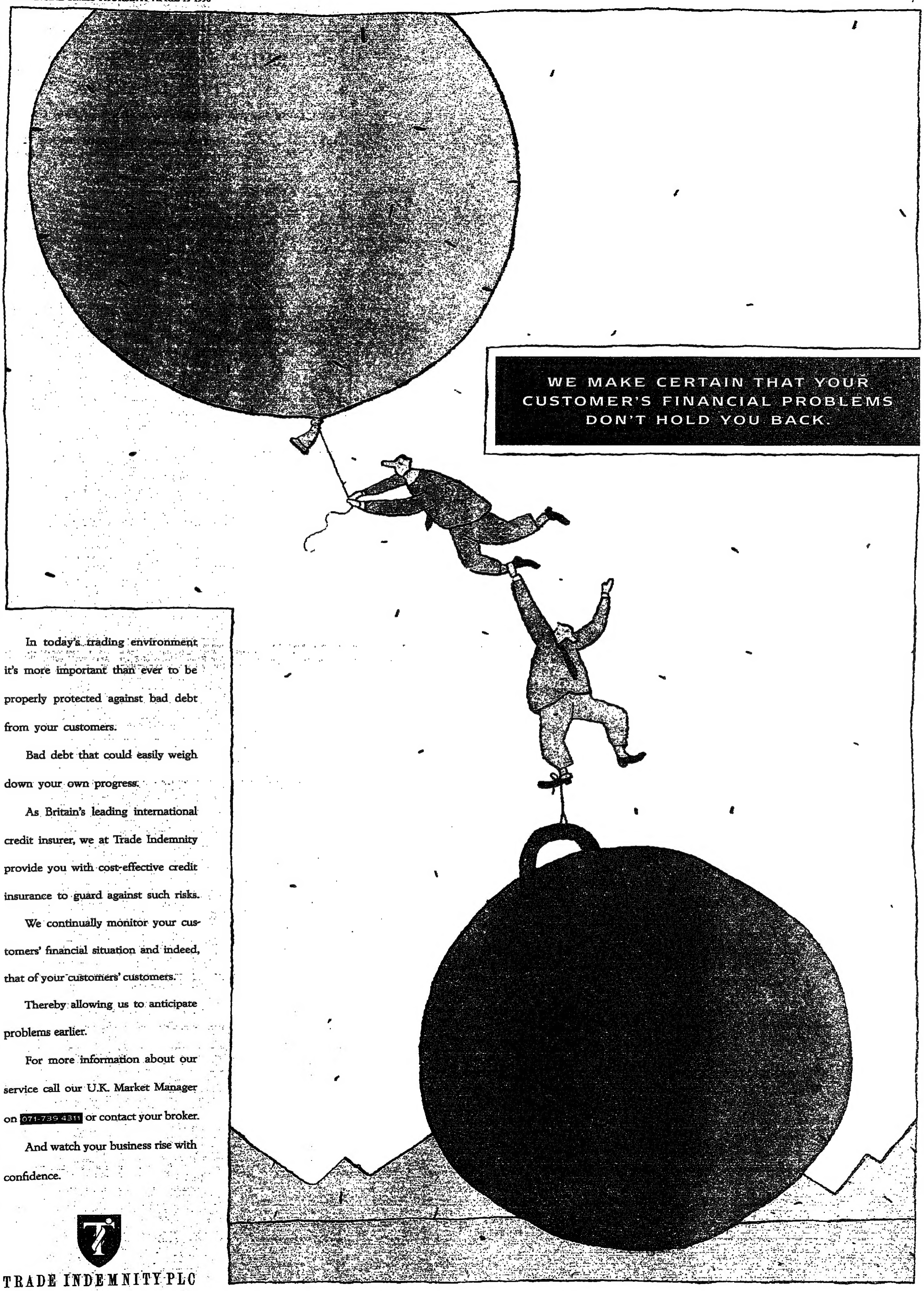
Other issues such as concern over the creation of monopolies have been raised in the latest privatisation.Stumetal, which specialises in metal packaging was bought by Mr Salah Mokdad, a Tunisian businessman resident in France, for TD9m. The shares were split between him and the French company Carnaud, which has long had a stake in Stumetal and acted both as its technical adviser and provider of tin as an input.

Carnaud insisted that if the Tunisian authorities chose another buyer then the company might have to reconsider its continued presence in the country.

What has worried *some Tunisians* is that Mr Mokdad has also bought the only other metal packaging company in the country, the well run Entreprise Metallique de Sfax. The absence of any anti-trust laws in Tunisia, and the fact that EMS is the fourth state company Mr Mokdad has recently acquired inevitably raised questions about the risk of creating private monopolies.

The authorities have so far managed to deal behind closed doors. But the programme's success will depend on publicity and *accountability*.

The next group of companies to be privatised, in part or whole, are cement plants, worth an estimated $900m. For the first time, the Tunisian authorities have asked foreign banks to submit proposals aimed at assesing the worth of an industrial sector, one of considerable interest to European companies.



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US warns Moscow on trade contacts

By Lionel Barber in Washington

MR James Baker, US Secretary of State, warned the Soviet Union yesterday that failure to resolve the crisis in Lithuania was putting promising US-Soviet trade and commercial contacts at risk.

In testimony to Congress, Mr Baker made clear, however, that such retaliation would be taken reluctantly and would not affect the most important aspects of the US-Soviet relationship such as arms control, talks on German reunification and the May 30 summit with Mr Mikhail Gorbachev, the Soviet President.

Appearing before the House Ways and Means committee, Mr Baker said that Moscow should use "dialogue, not economic boycott or threats to invoke presidential rule" to end the stand-off in the Baltic republic.

Mr Baker used his testimony on Capitol Hill yesterday to flesh out President George Bush's threat to make "appropriate responses" if Moscow carried out its threat to impose an oil and natural gas embargo against Lithuania.

US policy on Moscow was based on seeking "points of mutual advantage," Mr Baker said. Locking in agreements on conventional and strategic nuclear arms this year was in the interests of the US because it created a "stable, predictable relationship that reduced the risks of nuclear war".

But he cautioned: "Some of our bilateral commercial contacts may be more to their advantage. These contacts are being put at risk. Steps that benefit perestroika in the near future may be affected by Soviet behaviour, even short of force in Lithuania."

Reaction among committee members was generally favourable. But some members expressed doubt about the Administration's proposals – first floated by President Bush at the Malta summit last December – to reach a bilateral trade pact with Moscow, including the approval of most-favoured nation trade benefits to help perestroika.

Throughout, Mr Baker expressed strong support for Lithuanian self-determination, saying the US had never supported the forcible incorporation of the Baltic states into the Soviet Union in 1940.

San Francisco hit by series of earthquakes

By Louise Kehoe in San Francisco

A SERIES of strong earthquakes jolted the San Francisco Bay area yesterday morning, on the 84th anniversary of the 1906 earthquake in which large parts of San Francisco were destroyed by fire.

There were no immediate reports of serious damage or injuries but electricity and telephone lines were brought down in the Watsonville area, where the earthquakes are believed to have been centred.

The State Office of Emergency Services said the strongest shake measured 5.4 on the Richter scale and hit at 6.53am. The tremors revived memories of the 17 October earthquake, which measured 7.1 on the Richter scale, and caused extensive damage throughout the region, killing 62 people.

Ironically, Wednesday's earthquakes occurred as survivors of the 1906 earthquake gathered at Mission Dolores Park in San Francisco to commemorate the 84th anniversary of Great Quake, which hit at about 5am.

US embarrassed over global warming issue

THE Bush Administration suffered an embarrassing setback yesterday when foreign delegates to a US-sponsored global warming conference demanded withdrawal of US proposals for more research on climate changes and their economic effects, Reuter reports from Washington.

US officials distributed a package of proposed initiatives during conference sessions late on Tuesday and Wednesday, essentially seeking only improved international communication and co-ordination of scientific and economic research on global climate change.

But one portion of the proposals took the form of a draft resolution offered in the name of all delegations.

The US officials later explained the proposals were simply suggestions, and apologised for the clumsy wording.

"We've disavowed it. It has no status," said William Reilly, administrator of the US Environmental Protection Agency and a conference delegate, speaking of the US proposals.

Venezuela to build smelter

By Joe Mann in Caracas

THE Venezuelan Government and a group of Venezuelan and international investors have signed a letter of intent covering the construction of a $720m aluminium smelter in Venezuela's heavy industry centre at Ciudad Guayana.

As the project stands, partners will be the Swiss-owned Clarendon group, with 36 per cent of equity; the Organisacion Diego Cisneros, a big family-owned Venezuelan business group, with 36 per cent; the CVG, a Venezuelan government industrial and mining company, with 18 per cent, and Reynolds Aluminum, with 10 per cent.

The company, to be called Aldanca (Aluminios de Angostura), aims to produce 190,000 tonnes per year of primary aluminium for export and will use Reynolds' technology. Start-up is projected for 1992.

The project's promoters said that three international banks have been contracted to arrange financing. This is expected to include a debt equity swap for $369m, export credits from France and Spain totalling $234m and $116m in fresh money to be provided by the partners.

Midland Bank of the UK is expected to handle the swap package.

Managua's new leader gets taste of crises to come

Tim Coone on the intrigues besetting Chamorro

MRS Violeta Barrios de Chamorro, the Nicaraguan president-elect, is stalked by a political crisis before even donning the presidential sash.

If the US-backed Contra rebels which supported her candidature carry out their threat not to demobilise their 12,000-strong army by the deadline of next Wednesday she faces a rebellion from the incumbent Sandinistas.

President Daniel Ortega this week hinted that he might even postpone the transfer of power using constitutional powers available. The Contras, meanwhile, have been trying through military posturing to make radical changes in the structure of the Sandinista-controlled armed forces a condition for their own disarmament. Such an idea is anathema to the Sandinistas. Supported by the constitution, they have wrung an agreement from the incoming government that the command structure of the armed forces will remain intact.

Meanwhile the country hovers between the hope of peace and the threat of chaos. Prolonged power cuts, sudden petrol shortages, sharp price rises and widespread food hoarding have all added to the sense of instability. The Sandinista-controlled unions, which control the majority of the country's industrial workforce, are threatening a general strike if the demobilisation deadline is not kept by the Contras.

As if that were not enough, divisions have emerged within the ranks of the 14-party UNO alliance whose slate Mrs Chamorro headed in the February 25 elections, and she has yet to name her ministers.

At the heart of the intrigue is a three-cornered fight between rival groups within UNO, which range from conservatives to Communists. Mrs Chamorro's team of close advisers, mostly relatives by blood or marriage and headed by Mr Antonio Lacayo (her son-in-law) is the most powerful but most moderate group. It is seeking to reach a *modus vivendi* with the outgoing Sandinistas, who although electorally defeated remain the best organised and most unified political force.

The principal challenge to Mrs Chamorro's advisers comes from the Political Council of UNO, which selected Mrs Chamorro as the candidate and now wants to control her.

Divided, however, over state-run company privatisations and control of the armed forces, the council is also split over who should be president of the country's legislature, the National Assembly. Mr Alfredo Cesar, one of Mrs Chamorro's advisers and a former, albeit moderate, Contra leader (he was also a one-time Sandinista and president of the central bank) is Mrs Chamorro's candidate. If he wins, the moderates will run both the executive and the legislative bodies of the state.

Against Mr Cesar, however, Mrs Miriam Arguello, a conservative loosely identified with the private sector organisation Cosep, has been nominated by a majority of the UNO Political Council. The 52 elected UNO deputies to the new National Assembly will now have to chose, but the loser might decide to face a run-off by a vote in the assembly in which the Sandinistas with 39 seats could be the final arbiters. They do not disguise their preference for Mr Cesar.

The Cosep wing in the UNO power struggle is pushing for privatisation of the state sector enterprises. The organisation's president, Mr Gilberto Cuadra, said on Tuesday that "those within UNO that do not support the privatisation platform will have to leave UNO".

Mr Eli Altamirano, the leader of the Nicaraguan Communist party and a member of UNO's Political Council, said, however: "Cosep is against UNO. These people are dreaming if they think they are going to privatise everything." Since the 1979 revolution around 40 per cent of agricultural and industrial production has passed into the state-run sector.

Such fundamental differences within UNO can be easily exploited by the Sandinistas in the National Assembly.

That calculation underpins the negotiations over the future of the armed forces. It is an open secret in Managua that the president-elect's advisers have accepted in principal that General Humberto Ortega, President Ortega's brother, would continue as head of the armed forces but be subject to orders from a civilian defence minister, in exchange for Sandinista support for Mr Cesar's candidacy as president of the National Assembly.

Under pressure from the UNO Political Council and the Contras, however, Mrs Chamorro has backtracked on the issue, stating last week that "Gen Ortega will have no place in my government".

At any rate, as her investiture approaches, the well meaning but politically inexperienced Mrs Chamorro has more than enough reasons to believe that the underlying conflicts in Nicaraguan society are still far from being resolved.

THE Nicaraguan Government and leaders of the US-backed Contra rebels were moving towards a ceasefire agreement yesterday after two days of talks but confusion remained over a timetable for disarming the right-wing guerrillas, Tim Coone reports from Managua.

A stable ceasefire would allow the Contras, estimated at between 8,000 and 14,000 inside Nicaragua, to enter six "security zones" under the supervision of UN peace-keeping troops and later begin their demobilisation there. According to Major General Joaquin Cuadra, chief of staff of the Nicaraguan armed forces, the UN troops will be ready to take up positions within four days. He said the demobilisation deadline of April 25 must be complied with.

However, Mr Aristedes Sanchez, a spokesman for the Contra forces, said in Managua that "there has been no discussion of disarming of our forces before April 25. Our position remains the same in that as long as the fate of the Sandinista army is not clarified, and who will control the Nicaraguan army, we cannot take that step". He said that a demobilisation timetable for the Contras, once concentrated inside the security zones, would be discussed with the new government "at a later stage".

Argentina seeks to curtail strikes in essential services

ARGENTINA is preparing to curtail strikes severely in what are deemed "essential services", *writes Gary Mead in Buenos Aires.*

The measures, which will require congressional approval, are likely to face stiff opposition from unions. Public sector unions have carried out almost 2,400 strikes in the last five years.

The proposed legislation will require unions to give advanced warning of strikes. These will be legal only after conciliation processes have been exhausted and will require a secret ballot of union members. At the moment, strikes are called by union leadership without ballots.

The Government says recent railway and telephone strikes were essentially political, staged in opposition to President Carlos Menem's plans to privatise both services. Argentina has about 4m union members in the internally divided General Confederation of Labour and they enjoy legislative protection inherited from earlier administrations.

The Government has also said that almost 80,000 state employed workers will be pensioned off at the end of April, in line with a decree aimed at cutting state spending. Officially, some 3m people are employed by the state. However, April's redundancies are widely regarded as insufficient.

US court win for unions on replacing strikers

By Roderick Oram in New York

US UNIONS have won a victory in the Supreme Court against companies that hire replacement workers during a strike as a way of breaking organised labour.

The court ruled that the companies cannot assume that the new workers are opposed to the union, therefore the employers must continue to recognise the unions and negotiate with them.

The ruling leaves intact employers' right to hire permanent replacements when staff strike. Use of the tactic has become common since President Reagan replaced striking air traffic controllers.

The ruling will not affect the dispute involving 6,300 striking drivers at Greyhound, the long-distance bus company. After only six weeks of an increasingly bitter dispute marked by shooting at buses, the company has already hired 2,300 new drivers. However, the company has said that it assumed the new employees would be represented by the Amalgamated Transit Union once the strike of present ATU members was settled.

The court ruling stems from a change in policy by the National Labour Relations Board. Formerly, it had accepted employers' argument that new employees were anti-union. Often they outnumbered the striking members, allowing the company to refuse to deal with the union.

The board reversed its position three years ago, saying it would evaluate each strike on a case-by-case basis. Several lower federal courts had rejected the board's new policy leading to a hearing by the Supreme Court on a Texas strike involving 22 workers. The employer was Curtin Matheson Scientific, a subsidiary of Fisons of the UK. The Supreme Court upheld the board by a vote of five to four.

Employers now have to prove that the new workers do not want to be represented by the striking union. But the board's regulations will make it hard for employers to do that until they can prove the union is supported by less than half of all employees.

UK NEWS

Power workers add to gloom with pay demand

Signs of slowdown fail to stem fears over inflation

By Peter Norman and Andrew Marshall

INFLATIONARY pressures have continued to build up in the British economy despite official figures yesterday which pointed to a decline in retail demand and industrial production.

The Government reported yesterday that the annual rate of increase of unit labour costs in manufacturing industry jumped to an unexpectedly high 6.8 per cent in the three months to February from 6.3 per cent in the three months to January.

At the same time, it said the provisional index of weekly retail sales volumes fell by a seasonally adjusted 1.4 per cent in March. Other figures showed overall industrial production declined by 0.7 per cent in February while manufacturing output fell 0.5 per cent in that month.

The falls in retail sales and industrial output were sharper than expected, suggesting that the Government's high interest rate policy might be successfully slowing the economy. But for City of London analysts, this positive news was offset by further signs that the slowdown had so far failed to curb inflationary pressures on the labour market.

Mr George Hodgson, UK equity strategist at Warburg Securities, said the unit labour cost figures were "distinctly disconcerting." Mr Peter Spencer, UK economist at Shearson Lehman Hutton in London, said it was "disappointing" that output was not rising to meet export demand.

The higher unit labour costs reflected worsening productivity as well as falling output. Manufacturing output per head in the three months to February was about 0.3 per cent lower than in the three months ended November. Over the same period, the annual growth of manufacturing productivity halved to 1.2 per cent from 2.5 per cent.

Adding to the gloom in the City about wage costs and output, workers in the power industry yesterday voted in favour of taking industrial action, including a strike, after rejecting an 8.5 per cent pay offer.

The EETPU electricians' union, with 40,000 members, voted by 23,599 to 1,643 to reject the offer in the highest return the union has ever had for an industrial action ballot. The vote in favour of a strike was 12,771 to 8,184. For action short of a strike, the figures were 21,360 to 1,942.

The three other electricity supply industry unions are expected to announce a similiar result tomorrow. The EETPU is traditionally the most moderate of the four, and last year was alone in voting against taking strike action over pay.

The power workers are keen to achieve a double figure settlement. Mr Danny Carrigan, EETPU national organiser, said that on the eve of privatisation, "his members' contribution to the well-being of the industry should be rewarded". They expected no less that workers in other profitable industries, he said, citing Ford's 10.2 per cent deal.

Yesterday's UK data had only a modest impact on financial markets. The pound closed unchanged on the Bank of England's trade weighted index at 86.7. But the inflationary implications of yesterday's news contributed to a negative tone among British equities with the FT-SE 100 index closing at 2,205.9, down 8.6.

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Troubled Coloroll plans issue

By Alice Rawsthorn

COLOROLL, the troubled home products group, hopes to finalise plans over the next few weeks to raise around £75m in a rights issue to reduce its debts and save it from receivership.

Mr Kenneth Marks, who became chairman of Coloroll last month after the resignation of Mr John Ashcroft, his flamboyant predecessor, has just presented his assessment of its financial position to S.G. Warburg, the merchant bank.

Warburg is now finalising proposals for a financial restructuring plan to recapitalise Coloroll. Mr Marks said the group was considering various solutions but the "favoured option" was a "conventional rights issue".

Coloroll hopes to announce the details of the restructuring together with its 1989/90 financial results – which are expected to show a dramatic decline in pre-tax profits from £55m to £10m for the year to March 31 – by the middle of June.

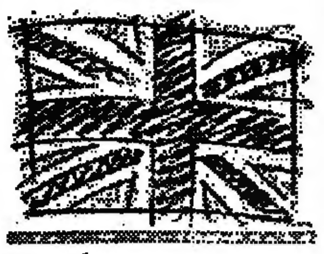
Mr Marks has prepared the cost cutting programme after visiting its subsidiaries over the past four weeks. The Coloroll companies have suffered severely from the impact of higher interest rates on consumer demand for home products.

Coloroll's chief priority is to reduce its debt by raising new capital. The group's net debt stood at around £140m at the year end and analysts estimate the value of its shareholder's funds at £70m. It could also incur up to £40m in contingent liabilities associated with the sale of two former subsidiaries: Response in the UK and Homfray Hycraft in Australia.

The group needs to raise around £75m to cover its contingent liabilities and to bring borrowings down to a manageable level. A rights issue would have to be deeply discounted to be acceptable to shareholders. Coloroll's shares – down by 2p to 14½p yesterday – are now so low that it analysts suspect it would have to resort to a four-for-one rights issue at 10p a share – or even a five-for-one at 8p – which would involve heavy dilution.

Nevertheless Mr Marks is confident that the restructuring would go through. "Why else would I have agreed to be chairman?" he said.

BRITAIN IN BRIEF



Labour to support G7 meetings

Mr John Smith, Shadow Chancellor of the Exchequer, yesterday declared that he is an enthusiastic supporter of the Group of Seven meetings which co-ordinate exchange rates and macroeconomic policies among the major industrialised countries.

Speaking in Washington, where he is introducing the new pro-European, pragmatic Labour party to top Bush administration officials, Mr Smith said a future Labour government would seek to strengthen the G7 process.

Smith: courting America

Mr Smith said Labour had learned lessons from the failure of the French socialist government's nationalisation policies in the early 1980s. "Economic policy totally determined by national considerations will not succeed," he told reporters.

In recent months, some observers have raised questions about the effectiveness of the G7 process which grew out international efforts to manage a decline in the value of the dollar in 1985.

Mr Smith's remarks on the importance of G7 contrast with Labour's flirtaton 15 years ago with a siege economy to protect British industry, but they also fit with his image of a Chancellor-in-waiting, ready to take his seat along with the other finance ministers of the world.

Mr Smith's schedule in Washington suggests that the Bush administration sees Labour, which has a 20 point lead in the polls, as a serious alternative to Mrs Thatcher's Conservative government.

Teachers vote for strikes

THE second largest teaching union yesterday voted to authorise further strikes over teachers' pay and workloads, but defeated an attempt to force the union's leaders to ballot members on a 35-hour week work to rule.

The annual conference of the National Association of Schoolmasters/Union of Women Teachers voted to allow the union's executive to choose the timing of a strike ballot to improve pay levels and limit teachers'workloads.

The union's leaders said on Tuesday that they were unlikely to call a second one-day strike over pay – following one last month – at least until the end of this year, when talks on pay are likely to restart.

Delegates at the conference in Scarborough rejected an amendment which would have made the union refuse to take part in developing the national curriculum until the Government started negotiations on teachers' conditions.

Managers' pay rise

Managers' pay will increase by at least 9.1 per cent on average over the next 12 months, predicts the latest survey by the Reward pay consultancy, published today. The survey is based on data from over 1,000 companies in a wide range of industries throughout Britain.

The increase over the past 12 months was 11.8 per cent to an average salary for all ranks of managers of £15,518. Total money pay, including incentive bonuses and so on, rose by 13.4 per cent to £15,930.

Reward says that although the rate of increase is now evidently slowing, the forecast 9.1 per cent over the coming 12 months may well be exceeded. "Experience suggests that this figure is slightly understated and is to some extent an expression of desire rather than likely out-turn."

Assurance in Spain

SCOTTISH Widows' Fund and Life Assurance Society is to start marketing life assurance in Spain in its first expansion outside the UK.

Scotland's oldest life company, founded in 1815, has announced a joint venture with Previasa SA de Seguros y Reaseguros to form a new life company Previasa Vida, in which Scottish Widows will have a 40 per cent stake. Previasa is a private company in the health insurance sector.

Other UK life companies which have started operations in Spain include Royal Life and Friends Provident.

Anglo-Irish tension

TENSION between Britain and Ireland about the extradition of terrorist suspects is likely to be a main focus of meetings between ministers from the two countries today and tomorrow.

Irish extradition laws are expected to be high on the agenda when Mr Peter Brooke, Northern Ireland secretary, meets Mr Gerry Collins, Irish foreign affair minister in London at today's meeting of the Anglo-Irish conference.

Britain's concern follows recent judgements made by the Irish Supreme Court in the cases of three men wanted in Northern Ireland on terrorist related charges.

Most recently the court ruled against the extradition of Mr Owen Carron, wanted in Northern Ireland on firearms charges, because of the view that his alleged offence was political.

In Belfast yesterday Mr Brooke said the decisions "could have given some people the impression that there was a safe haven for terrorists in the republic."

Extradition procedures may also be raised at a meeting Mr Haughey will have with Mrs Thatcher in London tomorrow. But both British and Irish officials stressed that Mr Haughey's visit will be in his capacity as president of the European Council and that discussions will focus mainly on preparations for an EC summit on German unification in Dublin later this month.

More slots at Heathrow

THE number of hourly take-off and landing slots at Heathrow is to be increased in a bid to ease delays for passengers.

The Civil Aviation Authority said it was approving a rise from 72 to 74 aircraft movements – each made up of one take-off and landing – as "a small step in the right direction" for Britain's busiest airport.

Average delays at Heathrow airport in March this year fell to 17 minutes, four minutes less than the same month last year, according to BAA, formerly the British Airports Authority.

Howe attacks EC states

THE extent to which European Community member states use used their public purchasing programmes to support their own national industries was attacked as a scandal yesterday by Sir Geoffrey Howe, the Leader of the Commons.

He supported attempts by the European Commission to liberalise public purchasing in the EC and said that this would lead to a revival of markets, increased efficiency, more choice and greater value for money.

But he also warned that British manufacturing had to be given a higher priority if it were was to meet the challenges of the more open markets that would follow such liberalisation.

Sir Geoffrey said state purchasing totalled about 15 per cent of EC gross domestic product.

Days numbered for sales reps

THE DAYS of the "sales rep," who lugs wares food from shop to shop, vying with competitors for an extra inch of shelfspace, are numbered.

In the past five years, the number of field representatives from manufacturing companies supplying the UK grocery trade has fallen by an estimated 30 per cent according to a survey by OC&C Strategy Consultants. It forecasts a further decline, of up to 24 per cent, by 1995.

While Labour was getting its message across in the US, John Cunningham, their local election co-ordinator, mislaid his message in London. Despite phone calls, a poster to launch the campaign failed to appear at a press conference. The anti-Conservative poster should read "Con"

UK NEWS

Car maker to prepare distribution 'air bridges' for post-1992

BMW restructures parts division

By John Griffiths

WEST GERMAN car maker BMW is to restructure its parts distribution activities throughout Europe in preparation for the single EC market post-1992.

One immediate effect of the reorganisation is that its wholly-owned UK subsidiary, BMW (GB), is abandoning a £29.8m plan for a new headquarters and warehouse complex near Swindon, Wiltshire, only a week after winning a nearly two-year battle for planning permission to build it.

Under the new system, which is to start on a pilot basis later this year, parts distribution mechanisms which have been based almost entirely on national markets will virtually disappear.

In their place will be a network of strategically-placed warehouses, some to be newly developed, throughout Europe which will be supplied much more frequently than currently by BMW's main parts centre at Dingolfing, near Munich.

While most distribution will be be – as now – by truck, it is planned to use regular "air bridges" to fly parts from Dingolfing to centres where parts are urgently needed.

The "just-in-time" delivery concepts involved, to be made possible by new computer systems to be introduced throughout BMW's distribution infrastructure, will allow warehouses to be resupplied on a daily order basis instead of weekly.

The new structure, scheduled to be fully operative by the end of next year, should allow the warehouse network to operate with much reduced inventories.

It is this consideration which lies behind the BMW (GB) decision not to proceed with the 92-acre Swindon venture. Its current, 230,000 cubic metre warehouse at the existing 12-acre Bracknell, Berkshire, headquarters should now be adequate for the foreseeable future, according to BMW (GB)'s managing director, Mr Paul Layzell.

The Swindon site would have provided BMW (GB) with the greatly-expanded warehousing it had felt to be necessary when the search for a larger site than Bracknell was begun nearly three years ago.

This perceived need was based on the great expansion of BMW's UK sales in the past decade. From 13,500 units in 1980, its sales have risen consistently to reach 48,905 in 1989 and are likely to exceed 50,000 units for the first time this year. The population of BMWs on UK roads is now approaching the 300,000 mark.

Mr Layzell indicated that the European strategy review had been running in parallel with the long drawn out planning battle in the UK, and that the Swindon project had simply been overtaken by events. "Nowadays, even three months is a long time in the car industry," he declared.

Key warehouse locations on the Continent will include Strasbourg, Frankfurt, Hannover, Bornem, Belgium; Verona and Madrid.

As part of the overall strategy, agreement has also been reached with the Bracknell staff on a switch from single to two-shift working, between 6am and 10pm. According to BMW executives, this will allow 70 per cent of parts ordered by dealers up to 5pm on one day to be received at the dealership by 9am the next day, and 100 per cent by noon.

Choppy waters at Docklands

Hazel Duffy on the dilemma facing urban development corporations

LONDON Docklands, the vast commercial and residential development down river from the capital's historic core, is at an uneasy stage of its short life.

A depressed property market, high interest rates and transport uncertainties have contributed to the difficulites that the Government's development corporation is experiencing in pulling off deals in the Royal Docks area of the Docklands.

High interest rates have hit Docklands hard. The area has always involved an big element of risk, although the Government, determined to make Docklands work, is putting a lot of strain on the Treasury in trying to rectify its chronic transport problems, and thereby reduce the risk.

The Royal Docks is huge, bigger even than the Isle of Dogs, pictured above, where Canary Wharf is under construction.

The light railway is being extended and access roads widened and improved. But public inquiries, affecting the marketability of the London Dockland Development Corporation sites, are due into the future of London City airport and the East London River Crossing.

The management of the LDDC is said by developers to be in a parlous state, a criticism which has also been levelled at the newer urban development corporations scattered around the country.

Much of the money now being spent in the new UDCs comes from the public purse. Two thirds of the £543m allocated to UDCs in 1990/91 is for London Docklands, £256m higher than planned a year earlier.

Costs have risen with increased spending on infrastructure in an attempt to make UDC areas more attractive to developers. Land sales are slow, so the income is nearly all from public grant.

In London Docklands, the Government is going ahead with the estimated £1bn extension to the Jubilee line, in spite of its failure to convince the main developers to make a significant contribution.

The line will have the capacity to carry 22,000 passengers an hour. But many experts think that the cross-London rail link from Paddington to Liverpool Street should have taken priority.

The effect of developer caution in the newer UDCs could have serious political repercussions. They are the Government's main weapon in its fight to win back the inner cities, and also epitomise the public/private sector partnership ideal which Conservative ministers have so admired on their educational visits to the United States.

The most recently proclaimed UDCs have come up against the property downturn just as they were getting themselves organised, while many big property developments under construction had been agreed before the individual UDC was set up.

London Docklands enthusiasts are more likely to be found among foreign-owned developers who seem to take a longer term view of Docklands than the British.

The LDDC says interest has been shown in the Royal Docks site, where it wants to persuade Stanhope Properties into concluding the deal which has been under negotiation since mid-1988. But it admits that this is not the time to start initiating new deals.

The differences, here, and in the Royals site which it proposes to sell off in parcels, is over land price. The LDDC thinks that these are the best sites in the London area, and wants a price which reflects its belief. The potential developers carry on playing their waiting game.

Ironically, the downturn in the market has had a positive spin-off. The early Docklands developments disregarded the needs of local residents. Much has now changed. High priced houses are not selling but local authority housing is being improved and Docklands residents are buying the more affordable "social" housing. Education, training and health centres are being part funded by the LDDC.

The other UDCs have learned from London Docklands' social ignorance. What they lack, however, is the swashbuckling approach to development which, many say, was needed to get London Docklands launched. Otherwise the prospect of significant developments in most UDCs before the next election look slight.

Manx court told of 'cosy relationship' of SIB investigators

By Sue Stuart

THE COSY relationship between the parties investigating the collapse of the Savings and Investment Bank resulted in defendants being deprived of protection against self-incrimination, it was suggested in a Isle of Man court yesterday.

Seven former directors, officials and agents of the bank, which collapsed on the island in 1982 with £42m debts, face charges including fraud and false accounting. Mr Victor Gray, an eighth defendant, has had his trial adjourned for health reasons and all the defence counsels are arguing to have the trial stopped for reasons of delay in bringing prosecution.

Mr Philip Hackett, for defendant Mr Michael Crowe, the bank's former auditor, told the court that Mr Michael Jordan of Cork Gully, one of the court-appointed inspectors examining the bank's collapse and also one of the liquidators, had told a judge in December 1983 of problems they were incurring in the inspection.

In particular, Mr Jordan had said the liquidators were unable to instigate litigation against various parties because they would not then come forward to give information to the inspectors. With reference to the auditors, Mr Jordan told the judge that the inspectors hoped to see them within the following three weeks, after which litigation would begin, said Mr Hackett.

In January 1984, the auditors were interviewed by the inspectors and within four weeks were notified of action being taken against them by the liquidators based on information given at the inspectors' interview, claimed Mr Hackett.

Mr Hackett said it was clear from documents that neither Mr John Chadwick, QC, who led the inspection, nor the judge, wanted or expected this flow of information to occur, but "it presumably came about because of the very cosy relationship between the parties involved."

Mr Jordan and Mr Timothy Beer of Peat Marwick McClintock were both joint liquidators and inspectors.

Mr Rodney Klevan, QC, for defendant Mr Norman Ashton Hill, argued the delays in bringing prosecution had caused prejudice to defendants.

Mr William Cain, QC, the Isle of Man Attorney General, should not have been involved with the inspection, as it was a civil matter, said Mr John Rogers, QC.

Mr Rogers said the inspection had quite correctly been initiated by the Treasurer, and the report was being prepared for the court, not for the Attorney General.

Mr Rogers said that, as a result of Mr Cain's ignoring the contents of the interim preport and the letter, the prosecution was not begum until four years later.

The final submission from defence counsels will be heard this morning, and the judge is expected to rule next Wednesday on whether or not there will be a trial.

Inquiry set to give press last chance for self-regulation

By Raymond Snoddy

THE UK Government's inquiry into the press and privacy of the individual is expected to recommended that self regulation of the press should be given a last chance.

The committee under the chairmanship of Mr David Calcutt QC, which is due to report to the Government next month, is likely to come out against a new law of privacy to protect individual citizens from press intrusion.

Instead, the committee, membership of which includes senior lawyers and journalists, will call for the reforming and restructuring of the Press Council, the newspaper industry's voluntary standards and complaints body.

Mr Calcutt believes the council should be made completely independent of the newspaper industry. The industry finances the Press Council, and 18 of its members are representatives of the newspaper industry. A further 18 representatives of the public are appointed by the Independent Appointments Commission. The final member is the chairman, Mr Louis Blom-Cooper.

The Calcutt committee does not believe, however, that the Press Council should be turned into a statutory body.

The committee, set up by Mr Douglas Hurd, the former Home Secretary, in July to head off demands for legislation against the press on the floor of the House of Commons, has not finished its work and a further four or five meetings have to be held.

Its current thinking, contained in draft recommendations, comes out against immediate legislation which would be widely seen as a curb on press freedom.

The committee's view is likely to cause dismay among politicians. Last year there was widespread support for private members' bills advocating a right of privacy and a right of reply for members of the public who believed they had been unfairly treated by newspapers.

Since the setting up of the Calcutt committee editors of national newspapers have signed a code of practice on standards and almost all have appointed ombudsmen or readers representatives.

There has, however, been recent controversy over the Sunday Sport, a sensationalist newspaper which has not signed the code of practice. Journalists from the paper entered the hospital room of Mr Gorden Kaye, the 'Allo 'Allo actor, when he was recovering from brain surgery, took photographs and tried to interview him.

The Appeal Court decided last month that, however gross the invasion of privacy, there was nothing in English law to prevent publication.

The Calcutt committee, it is believed, decided after debate that it would be wrong to base a general law on such an exceptional case.

Mr Calcutt was not available for comment last night.

BUSINESS LAW

Shareholders on the swings and roundabouts during takeovers

By Derek Wheatley, QC

DIRECTORS who manage the affairs of a company have a duty to to act in its interests. Owned as it is, by its shareholders, this amounts to a duty *to act in the interests of the* whole body of the shareholders.

Mindful of this duty, as they must always be, do directors always succeed in fulfilling it in a takeover situation?

We see many examples of *unwelcome, or contested, take-*over bids. They all involve heavy expenditure of shareholders' funds.

Not all succeed. Not all of those which do necessarily have a beneficial result for the shareholders of both or even of either of the companies concerned.

The shareholders of the target company receive a bewildering succession of circulars urging them, on the one hand, to accept, or, on the other hand, to reject, the offer made by the predator company for their shares in its target.

Often the gist of the attack is on the performance and profit record of the target which in turn resists, just as frequently, with a counter-attack on the past record of the profitability and management of the preda*tor*.

The profit forecasts published by the target may now seem somewhat rosier than those of previous years.

They are likely to include revaluations of the assets, including in particular the property portfolio.

Inevitably it will be suggested that the price offered is too low, or that long-term planning by the board is about to be crowned by success.

Shareholders must often be confused when they realise that both versions of the affairs of their company cannot *be correct*.

The cynical will believe that neither version can be wholly trusted since both are coloured by the desire to press home, or to fend off the attack.

Recently, as a shareholder, I was the reluctant recipient of a large number of expensively-produced glossy circulars in relation to the unwelcome bid by Kingfisher for Dixons, both large retailers of electrical goods.

The bid has now been referred to the Monopolies and Mergers Commission and so it has *lapsed for the moment* until May when the decision by the MMC is expected to be made known.

The Kingfisher circular of January 14, before the intervention of the MMC, has as its title "The Fall and Fall of Dixons."

It extols the virtues of the management of its own electrical retailing subsidiary, Comet, and "its record of success;" it denigrates that of Dixons under the headings "Dixons' record of failure;" "Dixons and Currys: a management disaster" and "Worse still to come."

It finally expresses the pious sentiment "Kingfisher's offer – the only hope for Dixons." Earlier circulars on both sides were in similarly forthright terms.

Not referring to the Kingfisher/Dixons situation, in which as a shareholder I have an interest, I wonder whether such considerable expenditure is always in the interests of the shareholders of target and predator.

It must be difficult for the boards of both to be uninfluenced by their personal situations.

These include the possible loss of the jobs of the directors of the target, and the loss of face for the directors of the predator company in the event of failure.

If the bid fails the predator will *have spent much of its* shareholders' money for nothing.

This will have been the cost of the employment of merchant bankers, stockbrokers, City solicitors, and accountants, as well as the loss of time of the in-house team, printing, postage and advertising in the press.

The justification for a takeover has to be the greater profitability which will result for the shareholders of the new, merged company.

It may not be easy to see that this is always likely but it would be rarely possible to prove that it could not happen.

The shareholders themselves are in no position to form a good judgment as to which of the rival sets of claims they are to believe, or – even if one set of claims is entirely true – that the future will turn out in accordance with the predictions made.

Even if they feel that their company is taking the wrong course their only effective remedy would be to vote the directors off the board, which would almost certainly be a practical impossibility within the time available.

The law itself is little help to the target company in the vast majority of cases, although it does provide protection against slander of goods.

It may be actionable to dis*parage the quality of a rival's* goods and thereby prevent their sale if done "falsely and maliciously."

In practice, litigation would be unlikely to provide a remedy, however intemperate the language used. It all takes too long. There would be too many conflicts of fact to be resolved.

Once the merger has been effected the disgruntled target company would be controlled by the successful predator and the legal entity which might, in some circumstances, have been the plaintiff in an action would for practical purposes no longer exist.

Even if the bid fails so that a plaintiff able to sue remains, research has failed to reveal any case where the target of an unsuccessful bid has recovered damages from the predator for loss of business as a result of unfounded criticism of its management and methods.

Nor is there any case where damages have been awarded for the costs of the successful defence since, provided the Takeover Code is complied with, any public company can bid for the shares of any other.

Shareholders are wondering, more and more, whether the use made of their money in this situation can be justified.

As they ponder the ethics and seemliness of robust, hostile takeover attempts, great battles of the recent past must *spring to mind – Lonrho for* Harrods, Trust House Forte for the Savoy and other examples.

The directors of all these companies were in no doubt acting with the greatest integrity.

But were they always right? History may be able to decide whether, in any case, it has all been worthwhile, or whether the interests of the shareholders may have been sacrificed to the ambition of the chief executive of the predator or the unreasonable obduracy of his opposite number in the target company.

Statistics taken over a two-year period from 224 takeovers, show that shareholders in the target companies had a clear benefit.

Shortly before the announcement of the bid, their shares rose by an average of 10 per cent, reflecting, perhaps, market leaks of the imminent bid or, perhaps, the effect of stake building by the predators.

Their shares rose by an average 22 per cent after the bid was announced.

All of this is understandable since no predator would normally dream of offering anything less than a substantial premium on the price of the shares of the target at the time he was deciding what the bid price would be.

On the other hand, equally clearly, statistics show that the *shares of the predators* in the same cases were depressed for a period of two years and sometimes more after the event.

The effect of a bid on the shares of the bidder does not seem to deter those who wish to take over their rivals and the takeover market remains a brisk one.

At least the financial advisers, the merchant bankers, the lawyers, the stockbrokers all do well – some may think much too well – and takeovers remain the most prestigious and sought-after area of work for them.

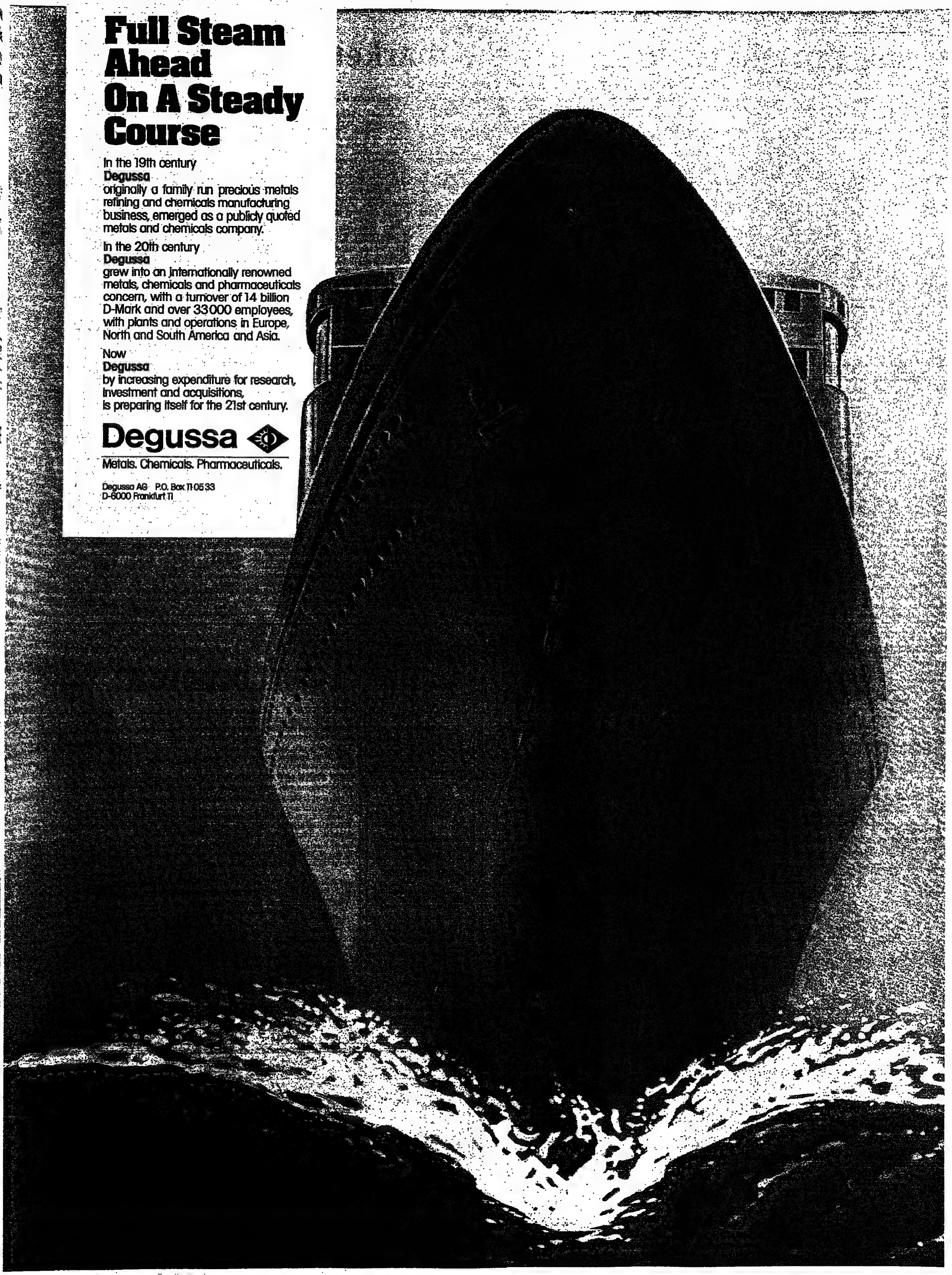
It would be difficult to attempt to regulate all takeovers and mergers.

It would be quite contrary to the free enterprise financial community in which we live and to which the British Government is so firmly committed.

The only remaining constraint is public opinion, in this case the opinion of the shareholders which could usually be expressed effectively only by the more organised, such as the institutional investors.

Or, perhaps, the time has come for some words of guidance from the regulatory body, the City Panel on Takeovers and Mergers itself, which has yet to be heard on the question of morality in takeovers as *opposed to the detailed Code of* Conduct which regulates the tactics of the takeover and merger rather than the ethics of the strategies of the contestants.

The author was Chief Legal Adviser to Lloyds Bank, one of Britain's four largest clearing banks, until earlier this year when he returned to practise law at the Bar.


Full Steam Ahead On A Steady Course
In the 19th century
Degussa
originally a family run precious metals refining and chemicals manufacturing business, emerged as a publicly quoted metals and chemicals company.
In the 20th century
Degussa
grew into an internationally renowned metals, chemicals and pharmaceuticals concern, with a turnover of 14 billion D-Mark and over 33000 employees, with plants and operations in Europe, North and South America and Asia.
Now
Degussa
by increasing expenditure for research, investment and acquisitions, is preparing itself for the 21st century.
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D-6000 Frankfurt 11

Frozen desserts

Using protein to cream off the market

Clay Harris describes the route NutraSweet has taken to launch Simplesse, its new fat substitute

Can pure indulgence be a simple pleasure? If it can, NutraSweet may be able to make Simplesse, a new fat substitute, a branded ingredient as familiar to consumers as the low-calorie sweetener which gave the US company its name.

Simplesse is created by heating and blending fresh egg whites and milk protein. The patented micro-particulation process shapes protein into a mass of round particles, thus reproducing the smoothness and creaminess associated with fat.

Robert Shapiro, NutraSweet's chairman and chief executive officer, says: "This looks and feels like a fat product, but it doesn't have any fat in it at all. It's protein."

In trying to repeat the success of NutraSweet, which was introduced in 1983, the company will use some of the same marketing techniques – including co-operative advertising with food manufacturers – but new ones as well.

The most important departure has been NutraSweet's decision to manufacture ice cream itself in order to introduce Simplesse in the US. Simple Pleasures, the first product to contain the protein-based fat substitute, has proved so successful in its first month that capacity is strained.

I scream, you scream, we all scream for ice cream; this is doubly true in the US, where 97 per cent of households buy it, and consumption reached 20.5 litres per capita in 1988.

Ice cream is "pure indulgence," says David Morley, group vice president and general manager of NutraSweet's Simplesse business group. "If you can prove your case in ice cream, you can get acceptance in other product categories."

"It has to do with the special role ice cream plays as a validator of taste," adds Shapiro.

NutraSweet wanted to keep control over the product – to ensure its quality matched the best on the market – and over its debut presentation, to guarantee that Simplesse was fully and correctly explained.

The insistence on the highest quality means there is a glaring omission in the initial line-up of flavours, which comprises chocolate, strawberry, coffee, toffee crunch, rum raisin and peach. "Vanilla hasn't met our taste expectations yet," Morley admits.

Simple Pleasures was launched at a hastily-called New York press conference on February 22, only four hours after the US Food and Drug Administration approved Simplesse.

So far, NutraSweet has not spent a cent on advertising Simplesse, relying instead on network television coverage and front-page news stories. Simplesse has also attracted the attention of talk-show host Johnny Carson and the popular music and satire programme Saturday Night Live.

"We knew we would be able to get this free publicity if we controlled the flow of information," says Morley.

Advertising will begin in the early summer, before the peak of the ice cream season. It will take a similar line to that for NutraSweet, which stressed that the sweetener had the same taste as sugar with less than 1 per cent of the calories and without the tendency to promote tooth decay.

Few consumers, argues Morley, buy food products on health considerations alone; they are unwilling to sacrifice taste.

NutraSweet has spent $200m worldwide to advertise the sweetener since its launch, and manufacturers have spent an additional $1.25bn to $1.5bn on their own advertising. The latter almost always contains a prominent reference to NutraSweet, in return for which the company notionally reduces its charge for the product.

Shapiro expects spending on Simplesse to be of a similar order, adjusted for inflation.

NutraSweet's top executives all joined the company before its previous parent, the pharmaceutical concern G D Searle, was taken over by Monsanto, the chemicals group, in 1985.

Despite their involvement in the previous product launch, Shapiro says: "We didn't want to be dominated by mental processes that came out of the NutraSweet experience. One could easily be seduced into thinking that Simplesse is to fat what NutraSweet was to sugar."

For example, the concept of a sugar substitute was already well-established. Consumers were familiar with saccharin and cyclamates, even if there were drawbacks on taste and health concerns. But what is a fat substitute? Previous low-fat and cholesterol-free products have had something taken out, often with deleterious effect on taste and texture.

The market for Simplesse, moreover, is likely to be more immediately international. NutraSweet got a head start in the US because of the huge carbonated drinks market and the established "diet" sector. For Simplesse, however, "the European market will be at least as large as North America," says Shapiro. The first launch is expected within 12 months.

Simplesse is likely to have more diverse uses – in products such as salad dressings, yoghurts, mayonnaise, sour cream and butter spreads. Its profile may be different in each market.

The decision to open with an own product contrasts with the record on NutraSweet, which the company sold to any customer and supported with specific advertising. Only later did it manufacture its own end-product, the table-top sweetener sold as Canderel in the UK and Equal in the US.

With Simplesse, NutraSweet intends eventually to make exclusive arrangements with manufacturers for the joint development of certain products. In some cases, it may adopt the previous approach of selling to all comers.

So far, however, only one agreement has been announced. Kraft, the Philip Morris subsidiary, has exclusive international rights to market mayonnaise containing Simplesse once it is cleared by the FDA.

The Simplesse process is licensed from John Labatt, the Canadian food, brewing and consumer products group, which retains the rights in its own country. NutraSweet argues that microparticulation involves only a change in the physical form of common foods, like making pasta from flour and water. This was accepted in most countries, including the UK, where Simplesse did not require regulatory approval.

In the US, the FDA decided otherwise. So far, Simplesse has only been cleared for use in ice cream. Or, more precisely, in "frozen dairy dessert." US labelling regulations require a product to contain 10 per cent fat to be sold as ice cream. Products with 4 to 7 per cent fat are described as "ice milk."

Although there is some lobbying for a relaxation of these rules to take account of Simplesse and other products in the pipeline, such as Procter & Gamble's Olestra, Morley does not worry about what Simple Pleasures is called. It is sold in ice cream cabinets and is priced at the top of the premium range.

The vanilla flavour has yet to meet Simple Pleasures' taste expectations

All Natural Simplesse® Fat Substitute

A campaign to make the US tobacco industry gasp

Sophisticated advertising techniques suggest that smoking makes one powerful, beautiful or sexy. **Martin Dickson** explains how the state of California is using taxes on cigarettes to fight back

He is a burly middle-aged man with the air of a smug, well-fed bully. But there is a note of concern in his voice as he starts to address his colleagues in a shadowy, smoke-filled American corporate board room:

"Gentlemen," he rasps, "the tobacco industry has a very serious multi-billion dollar problem. We need more cigarette smokers, pure and simple. Every day 2,000 Americans stop smoking and another 1,100 also quit." He pauses momentarily and then adds: "Actually. Technically. They die."

"That means this business needs 3,000 fresh new volunteers every day. So forget all about that cancer-heart disease-emphysema-stroke stuff." He pauses again and smirks. "Gentleman, we're not in this business for our health." He laughs. Others join in. Soon guffaws are echoing around the boardroom table.

This raw depiction of heartless corporate cynicism comes from an anti-smoking commercial being shown on television screens across California for the first time this month. It is the most controversial advertisement in one of the most aggressive anti-smoking drives ever mounted in the US, and indeed the world.

Campaigns warning the public of the perils of smoking to their health are in themselves nothing new, in the US or elsewhere. Nor are advertisements which try to persuade nicotine addicts that smoking is dirty, rather than glamorous.

What distinguishes the Californian campaign, which is being mounted by the state's Department of Health Service, is the way it attacks the tobacco industry head on. For while the underlying premise of most anti-tobacco campaigns is that the smoker has a self-inflicted problem, the California one pins much of the blame on the industry and its sophisticated advertising techniques, which suggest that smoking makes one powerful, beautiful or sexy.

In a full-page newspaper advertisement, headlined "First the smoke, now the mirrors," it attacks "the selling of suicide" and "all those carefully polished, fatal illusions the tobacco industry has crafted to mess with our minds, so they can mess with our lives."

Paul Keye, of Keye/Donna/Pearlstein, the Los Angeles agency which created the campaign, explains: "We want people to be able to see the puppeteers' strings and make their own decisions."

"The tobacco industry has been playing with people's minds for ages," adds Dileep Bal, the health official heading the campaign. "We're simply trying to create a level playing field."

Bal says the advertising campaign, which will cost $28.6m over the next 18 months, is merely the attention-grabbing start of a much wider Californian educational drive, costing some $130m a year.

Fuelling controversy over the campaign is the fact that smokers are themselves having to foot the bill for it. A Californian state referendum in November 1988 raised the tax on a pack of cigarettes from 10 cents to 35 cents – among the highest in the nation – and stipulated that part of the money raised be used to educate the public on the dangers of smoking.

The tobacco industry is furious. Its Washington lobbying group, the Tobacco Institute, complains that "California is making smokers pay for their own harassment." But since tobacco advertising has been banned on television and radio since 1971, its ability to hit back is limited.

The industry has been very much on the defensive in recent months, with anti-smoking sentiment growing markedly around the country, particularly in Washington.

Last January, R J Reynolds abruptly withdrew a new cigarette, called Uptown, which was specifically aimed at black smokers, after a protest campaign.

Louis Sullivan, the US Health Secretary, had accused the company of "slick and sinister advertising" and "promoting a culture of cancer."

He renewed his attack when a leaked document alleged the company was planning a new cigarette aimed at 18 to 20 year-old "virile females" – a claim Reynolds denied.

Whatever the truth, the Californian campaign mirrors the way in which the tobacco companies' advertising has been increasingly targeted at specific groups, such as teenagers, ethnic minorities and women.

One of its television advertisements, designed to underline the risks to non-smokers of tobacco, shows a husband enjoying a cigarette in the bedroom.

He inhales, but it is his wife, reading a book in bed, who exhales the fumes. By the end of the advertisement, she is doubled up choking, with smoke billowing from her mouth like a factory chimney.

Keye/Donna/ Pearlstein, the agency behind the campaign, is not one of the biggest US agencies. The magazine Advertising Age ranked it 103rd in the US last year by gross income. It is best known for another series of public health television advertisements, against drugs.

This uses the simple image of a whole egg to represent the human brain. The egg is then smashed into a frying pan. There is a close up of it sizzling, while a voice intones: "This is your brain on drugs. Any questions?"

The agency's copywriting for the tobacco campaign explicitly plays on Californian local pride, declaring in one advertisement that "there's never been anything like this. But this is California. We don't need to do it the way it was done before."

Indeed, while the state produces many cranky ideas, what it does today the rest of America often does tomorrow. And that knowledge should be giving a few sleepless nights to the tobacco companies.

ACCOUNTANCY COLUMN

Babble of dialects behind investment decisions

By David Waller

IF ONE scrutinises the financial statements of three multinational companies in the same industrial sector but from three countries, the chances are that it will be difficult - *if not impossible* - to make sensible comparisons.

It would, for example, be hard to determine the extent to which a West German motor manufacturer was more profitable than its main rivals in the UK and the US, or whether the shares in their Japanese competitors were relatively cheap or expensive.

The reason for this is that financial statements are prepared in line with local rules, themselves rooted in local *business culture. Far from* being an international language, accountancy is merely a babble of mutually unintelligible dialects.

By contrast, the decisions of those using accounts are increasingly international in scope. Fund managers take little notice of national barriers when they make investment decisions. Businessmen look at international markets when they decide where to build a factory.

Those problems are considered in a weighty report commissioned by Arthur Andersen, the accountancy firm, and Salomon Brothers, the securities house, and published earlier this month. The document looks at the effect that accounting diversity has had on global capital markets.

It also asks a central question: if the purpose of accounting is to portray economic reality, "are the *economics driving* the accounting or vice versa?" That should be of interest to UK finance directors convinced that they are at a commercial advantage over their US competitors when making acquisitions, simply because of rules on accounting for goodwill.

Many institutional investors believed that accounting differences affected their investment decisions

Representatives of 52 institutions from Japan, the UK, West Germany, Switzerland and the US were interviewed at length by two professors from New York University. Those interviewed included fund managers, representatives of banks, corporate issuers, underwriters and regulators. The report's main findings include:

● Half of those interviewed felt that their capital market decisions - on where to invest or where to borrow - were affected by accounting differences. That proportion understates the proportion influenced by accounting diversity because it does not include those who have changed the way they analyse foreign *investments.*

● More than half of the institutional investors said they believed that accounting differences affected their investment decisions. Although a significant number of fund managers attempt to get round that by restating foreign numbers in line with local accounting standards, that was not enough to remove the problem.

"Restatement is helpful but not sufficient," declared one of underwriters quoted in the report. "Accounts which are prepared by accountants are true but they may not be all the truth."

A handful of fund managers said they got round the problem by developing what the researchers call "multiple principles capabilities." That means relying on original accounting statements and intimate knowledge of local market conditions. Nevertheless, the report identifies a clear demand for a global database in which company accounts are restated to reflect US accounting policies.

"Comparisons are more feasible for a US company, a UK company or an Australian company," said one fund manager. "Scandinavia is improving but the Japanese companies are a nightmare. In Europe, even within countries, there may be significant differences in reporting. As a general rule, *the closer you get to* Switzerland, the worse the financial reporting becomes."

"In the international market you can enjoy much higher returns from information," said one underwriter, observing that the US and UK were so awash with information that it was difficult to outperform the market. Barriers to entry are high, the underwriter added. "The thing that's nice about international fund management is that the boutiques can't do it. *The range of skills* required . . . is too expensive for many to compete."

● By a slim majority companies did not feel that their decisions on where to issue securities were influenced by accounting differences. However, disclosure differences did affect financing decisions, suggesting a close link between accounting and regulatory diversity.

Nationality appeared to influence companies' readiness to be flexible when raising capital. US and UK companies were more willing to tap international capital markets than their competitors from West Germany, Japan and Switzerland. The reason for this is that US and UK companies have high standards of accounting and financial disclosure, and thus have to give less away when seeking a listing on an overseas stock market.

Only 89 non-US companies are listed on the New York Stock Exchange, where standards of disclosure are high if not onerous. Virtually none of those companies are French or German. Nearly three times that number are listed on the Amsterdam exchange, which is only 3 per cent the size of the NYSE.

Are share prices consistent with intrinsic value? This report does not tackle that knotty problem head on

"Any company should think five times before getting caught with a US quote and the requirement to produce quarterly statements," said one underwriter. "Damned expensive! And there is no benefit because the few US investors who invest internationally won't be interested in whether it is quoted in New York or not."

Are share prices consistent with intrinsic value? The report does not set out to tackle this knotty question head on, although many fund managers would undoubtedly like to know whether economic *fundamentals can explain why* the average price-earnings ratio on the Japanese market at the end of last year was 54, against 29 in Normay and 10.4 in the UK.

The report concludes by making the unsurprising suggestion that harmonising accounting standards about the globe will be difficult.

It also suggests some interesting areas for future inquiry - for example the extent to which fund managers' country weightings or required returns are related to the quality of financial reporting in that country.

The International Accounting Standards Committee has been striving since 1973 to secure some global accounting harmony.

Later this year it will intensify the debate stirred up by the AA and Salomon report when it publishes the responses to its own proposals to reduce the number of options available to companies which adopt IASC standards.

The Capital Market Effects of International Accounting Diversity, available from Arthur Andersen & Co or Salomon Brothers.

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CITY

to £35,000 + BENEFITS

Financial Accountant

Our client is a large and prestigious City firm of solicitors offering a wide range of services. Already a substantial firm, the practice is still growing and sound financial accounting systems are essential in order to ensure continued success.

Reporting to the Deputy Financial Controller, you will make a significant contribution to the control and development of the finance function. Responsibilities will include financial accounting, internal audit, credit control, capital expenditure and development of computerised accounting systems.

Ideally in your late twenties or early thirties, you will be a Chartered Accountant with not less than three years' post qualification experience. Having gained experience in an industrial, commercial or professional environment, you will have a broad range of financial skills and good experience of computerised systems. As a mature and conscientious individual, you will welcome the opportunity to join a leading professional firm.

In addition to the excellent salary, benefits will include life assurance cover and membership of non-contributory pension and private health schemes.

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COURAGE
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European Finance Manager

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Staines

Courage Limited is a major division of the Elders Brewing Group, the fourth largest brewing operation in the world.

The expansion of activities into European markets is an integral part of the corporate business strategy, and a dedicated multi-disciplinary team is constantly assessing new commercial opportunities for the group within those markets.

The Executive Director leading the European initiatives now wishes to augment the team with a highly motivated Finance Manager to assume responsibility for providing comprehensive financial support to the European Operation.

This demanding role will require continuous involvement in the development of business plans and investment appraisal projects together with the effective management of all traditional "house-keeping" aspects of the finance and accounting functions. Frequent trips to Europe are likely — often at short notice.

The successful candidate, who is unlikely to be aged under 30, will be a qualified accountant (probably chartered) with at least four years post qualified experience of working in a multi-national organisation in a team oriented environment. Strong analytical and negotiating skills are essential, as is a thorough grasp of investment appraisal techniques and a sound knowledge of European business practices. Fluency in one or more European languages would be a distinct advantage.

If you are interested in the challenges offered by this position please write to Christopher Hetherington quoting reference C/1044 enclosing full CV and salary details:

Executive Selection Division
Price Waterhouse
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No. 1 London Bridge
London SE1 9QL

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A sound understanding of futures and options and their applications in risk management is essential. As our constant link with European financial markets, you will need to be a highly effective communicator; you must be fully fluent in Italian and, possibly, French.

Salary will be supported by an attractive range of benefits, including comprehensive assistance with relocation to England if necessary.

To find out more, please call our European Business Development Manager, Ralf Herklotz, on (0044 1) 623 0444 ext 2283, or send your full personal, career and salary details to Helen Jenkins, Personnel Manager, LIFFE, The Royal Exchange, London EC3V 3PJ.

LIFFE The London International Financial Futures Exchange

FINANCIAL CONTROLLER

Northampton

£30-35k + bonus and benefits

Wilson (Connolly) Holdings is a house building, construction and property development group with a high reputation for quality within the industry and an impressive growth and profitability record since the 1970's.

To continue to grow in the 1990's, increased emphasis is now being placed upon construction and property development and a Financial Controller is to be appointed to provide a full accounting service in support of these activities. In addition, the Financial Controller will have responsibility for specific group finance activities including cash flow forecasting, treasury management, and consolidation of accounts.

Candidates should be chartered accountants with an excellent track record professionally and at least three years' industrial experience. Exposure to major construction or property development companies would be useful.

In addition to basic salary and bonus, benefits include a fully expensed car, BUPA, pension and share schemes.

Please write, in confidence, quoting reference MK3004 Peter Coles.

KPMG Peat Marwick Selection & Search
Norfolk House, 499 Silbury Boulevard, Central Milton Keynes, MK9 2HA

The Thames Valley ACCOUNTANCY CAREER FAIR

» Ramada Hotel, Reading Wednesday April 25th 4.30-9.00 «

Considering your next career move, or keen to know more about current market activity? Below are representatives of the business community who will be at the career fair to discuss their recruitment requirements.

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RAVEL

Financial Controller

c£28K + Bonus + Car + Relocation Where Appropriate

The Company is a market leader in Fashion Footwear retailing with a turnover of £45M, operating as an autonomous subsidiary of one of the UK's leading footwear groups C & J Clark International Limited.

The Position reports to the Managing Director, with responsibility for the Finance and administration functions, the production of monthly accounts, budgets and annual accounts. You will also be expected to become fully involved in all aspects of the Company's affairs as a senior member of the management team.

You should be a qualified accountant 27-35, a good communicator with established man management experience. This is a fast moving environment in which commercial awareness is vital.

If you wish to join a successful team and can contribute to its continued success in the 1990's send your curriculum vitae to Rosemary Johnson, Head of Human Resources, Chaussures Ravel Limited, 1-4 Alexandra Terrace, Alexandra Road, Aldershot, Hampshire GU11 3HU. Telephone No. (0252) 334091.

BIRMINGHAM

c.£38K + CAR + BENEFITS

Finance Director

This autonomous £30m turnover subsidiary of a well respected UK based international group has a first class reputation for product quality and technical innovation within the building products industry.

A commercially aware qualified accountant is required to head up the financial function. Initial emphasis in the position will be on cost and cash control monitoring and improvement and there will be ample opportunity for involvement in the commercial aspects of the business.

Experience is required of systems implementation in a manufacturing environment and you will have been used to making a strong contribution within the management team. Your technical competence will be taken as read and your communication, man management and analytical abilities should be of a high order.

Opportunity for developing your role within this company or career development within the group can only be described as excellent.

Please send full personal and career details, including daytime telephone number, in confidence to John Elliott, Coopers & Lybrand Deloitte Executive Resourcing, 43 Temple Row, Birmingham B2 5JT, quoting reference JE81 on both envelope and letter.

Coopers & Lybrand Deloitte | Executive Resourcing

Coopers & Lybrand Deloitte is the business name used by Coopers & Lybrand and Deloitte Haskins & Sells in the UK. The two firms are to merge on 29 April 1990.

Accounting For Change

A major transport concern with offices in Harrow has vacancies for two strongly motivated professionals to help guide the company through a period of organisational change. Used to working within the strictures of large company deadlines and discipline, you should also be capable of meeting the challenge of accountability within a largely autonomous unit.

FINANCIAL ACCOUNTANT — to £26,000

Taking full responsibility for maintaining the financial records of the company, you will be able to show a good record of achievement in commerce or public practice. Your professional qualification, whilst essential, will be matched by practical experience and enthusiasm. Previous exposure to complex intercompany transactions within a procedure driven system will be of great advantage, as will an in-depth knowledge of computerised accounting systems. A capable man-manager who is able to motivate staff by leadership and example, you should now be ready to take up this senior position in a fast moving company.

MANAGEMENT ACCOUNTANT — to £23,500

Probably, though not necessarily, qualified, you must be capable of leading a small team charged with a two-fold responsibility. Working to tight deadlines you will be responsible for preparing monthly management accounts and statistical returns for group head office and local management. You will also use your undoubted analytical and investigative skills to identify the causes of budget variances and present your findings in a clearly understandable fashion to operational management. A good communicator and lucid thinker who is used to using all the tools modern technology provides you with, you will have already shown your worth in the provision of valuable and innovative management information and will now be looking to progress your career further in a demanding and stimulating environment.

If the prospect of making a positive contribution to a company at an exciting stage in its development appeals to you, please send full details of your career to date to Trina Hay at Lonsdale Advertising Services Limited, 112-122 Tabernacle Street, London EC2A 4LE. Telephone: 071-490 7747, Fax: 071-490 5029. Quoting ref: FT/4.

Please note separately any companies to whom you do not wish your application to be forwarded.

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FINANCIAL TIMES

Finance Director

Surrey **£40,000 + Equity + Car**

Our client is a profitable, privately owned, specialist manufacturing company, with a turnover in excess of £10m, generated from its international operations. Substantial growth is planned, both organically and by acquisition, with a view to flotation in the medium term.

The Finance Director will have total responsibility for the finance, computing, treasury and company secretarial functions, with emphasis on the implementation and development of effective *management control and reporting systems.* The successful applicant will be expected to make a significant contribution at Board level, working closely with the Managing Director to ensure the continued profitable development of the business.

Candidates, aged 35-45, should be qualified accountants with a track record of achievement gained at senior level in an international manufacturing environment. Strong management ability, well developed communication skills and maturity of approach, combined with the flexibility to operate effectively at both strategic and routine levels, are essential requirements.

The successful applicant will have the opportunity to subscribe for shares in the company.

Relocation facilities are available where appropriate and interested applicants should send a comprehensive curriculum vitae, quoting reference: 2623 to Alan Dickinson ACMA, Executive Division, Michael Page Finance, 39-41 Parker Street, London WC2B 5LH. Tel: 01-831 2000.

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Finance Director

South Midlands
c£30,000 + Car + Bonus

Our client is a multi-million turnover UK based group, with a diverse range of activities both in the UK and overseas. Rapid expansion in recent years has been achieved by a concerted policy of acquisition supplemented by organic growth.

They now require a qualified accountant, aged 30-45, to take on the role of Finance Director for one of their Midlands-based manufacturing subsidiaries. The *company is well established within its market* and is now looking to enhance its dominant market position, improving efficiency and profitability at its existing facilities, and by acquisitive expansion.

The role reports operationally to the Managing Director on-site, and functionally to the group Finance Director. Responsible for the full finance function, you will also be expected to play a leading role in the implementation of integrated management information systems.

Commercially aware, with an assertive, self-confident nature, you will be able to demonstrate the ability to both suggest and implement change. Success in this *position will lead to further opportunities within the* group in either financial or general management.

Interested candidates should apply, enclosing a current curriculum vitae, to **Oliver Howl BSc, ACA, at Michael Page Finance, Bennetts Court, 6 Bennetts Hill, Birmingham B2 5ST.**

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Glaxo has substantial investment in sophisticated fully integrated financial and management *information systems. Your role will be to ensure that their full potential is realised and* that the company remains at the leading edge of systems technology. This will involve devising long term systems strategy, setting systems development plans, and managing implementation. You will be assisted by experienced systems analysts and programmers in the technical aspects of development.

This high profile role will place you at the forefront of financial systems technology and provides an excellent springboard from which to develop your career with Glaxo.

We are looking for a qualified accountant, preferably a graduate aged 24 to 28. Previous systems development experience is not a prerequisite. A creative, analytical approach and an aptitude for problem solving will be necessary. This could be your first move from a major firm of chartered accountants or you may already have experience with a multinational company. The desire and ability to progress quickly in a fast moving environment *is essential.*

To learn more about working with one of the UK's fastest growing Blue Chip groups please send your career details to our consultant, Sue Rossiter, at Barrett Webb Limited, Boston Road, Henley-on-Thames, Oxon RG9 1DY. For an informal preliminary discussion please telephone her on (0491) 410766. Strict confidentiality is of course assured.

Glaxo Pharmaceuticals UK Limited

Financial Director

c £35,000 plus Executive benefits
West Midlands

Our Client is a major retailer based to the North of Birmingham and operating 550 outlets nationwide. The Company is expanding through both organic growth and acquisition and, with a turnover in excess of £250 million, is one of the principal players in its field.

An energetic Finance Director is required to run the finance and administration functions. Reporting to the Group Financial Director, you will manage a large department and will have responsibility for the development and implementation of financial controls and reporting. The Company is going through a process of change and you will be expected to contribute fully to this in the design of policy and in the restructuring of the Finance function.

The position calls for a qualified Chartered Accountant with a first class technical accounting background. A good understanding of management information systems is required as is familiarity with treasury, taxation, acquisition and investment issues. A background in retail would clearly be an advantage.

Interpersonal skills are vital—the senior management form a positive, pro-active and dedicated team. You should be able to produce high quality results under pressure in a fast-moving, challenging environment. You should have the confidence and enthusiasm to play a part in the Company's expansion through the 1990's and beyond. It is unlikely that a candidate under the age of 30 will have the experience and maturity required for this high profile position. The highly competitive remuneration package includes a fully expensed car, executive share options and comprehensive relocation assistance where appropriate.

Candidates should write including full career and salary details quoting reference MCS/8885 to Jim Mitchell

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Birmingham B3 2JB

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A real commercial input is sought in this still developing function based in Central London so initiative, computer literacy and strong communication skills are prerequisites. Salary is negotiable according to age and experience and will be supported by a competitive benefits package. Future prospects within the group are excellent.

Please write, enclosing a full career/salary history and daytime telephone number, to David Tod BSc FCA quoting reference D/914/F.

Financial Controller

Windsor

HFC
BANK

c. £42,000 + car

HFC Bank Plc, a wholly owned subsidiary of the US based Household International Inc., is undergoing a substantial development and investment programme to create an entirely new style of financial institution.

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The expansion has created an urgent need to recruit a high calibre Financial Controller to report directly to the Finance Director. You will lead an expert reporting team, and will be directly responsible for all the internal and external reporting for the Group, consulting on technical accounting issues, and advising senior management on performance and profitability. Additional responsibility will be to instigate, monitor and supervise accounting projects.

Candidates should be graduate chartered accountants with a strong analytical and technical background, preferably gained within a large audit practice. You must be able to demonstrate an ability to both lead and motivate a team and show that you can communicate effectively with senior management.

Interested candidates, should in the first instance, write to Nigel Beasley of Martin Ward Anderson, quoting reference number M119, at the address below.

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This highly charged and fast moving environment is run by a young, self-motivated management team. They possess a level of drive and commitment which constantly results in further penetration of this competitive market.

Created due to expansion, this is an outstanding opportunity for a dynamic and ambitious individual to undertake the role of right hand person to the Managing Director.

Whilst you will have total control of the finance function, great emphasis must be given to the commercial aspects of this role. The Managing Director spends over 60% of his time off-site and this is indicative of the considerable involvement you will have in the running of the business on a day to day basis. You will also be involved in meetings and close liaison with the customer base which consists predominately of major blue-chip organisations.

Likely to be aged in your early thirties, you will be a qualified accountant whose successful track record has been achieved within a small/medium sized company background. You will possess commercial flair, incisive business judgement and strong managerial and interpersonal skills. You will respond well within this dynamic and hands-on environment as you will be an individual who thrives on challenge and total involvement.

Interested candidates should forward a full curriculum vitae to Alison Hill or alternatively telephone 061-236-1212.

Stark Brooks Associates, Suite 4, 2nd Floor, St. James's Buildings, Oxford Street, Manchester M1 6FQ.

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You will be working in a small, closely-knit but high-profile group reporting directly to top management in the U.S. Assignments will include financial audits, analysis of operational procedures and controls together with ad-hoc assignments. This will involve extensive travel in Western Europe with return visits to your home base at weekends.

Candidates must be professionally qualified accountants or equivalent with experience gained within a large firm of practising accountants. They must be capable of working autonomously and they should have some aptitude for languages although language training will be provided.

This position offers an excellent stepping stone into Europe for a newly qualified accountant with the opportunity to work throughout Europe. It should be considered as a more rewarding alternative for someone already thinking of transferring to a large practising firm in Europe. *You will be working with professional colleagues in a congenial atmosphere. The excellent* salary offered allows capital accumulation. You will be based in London or in any other major European city of your choice.

Interested candidates should write in confidence to: Nicholson International (acting consultants), 142 Buckingham Palace Road, London SW1W 9TR quoting reference 9111, or fax details on 01-823 6835 or call directly on 01-730 8910 for an initial discussion.

NICHOLSON INTERNATIONAL

Director & Controller

International Building Services

To £40,000 + Bonus — Rural Midlands

A blue-chip British multi-national is building a new Pan-European equipment hire division. A dynamic and talented young manager is needed to provide the financial input in the team planning and implementing a rapid growth strategy.

THE COMPANY
- Newly created Division within well known FTSE 100 manufacturing and services group.
- Substantial capital committed to building equipment rental businesses across Europe.
- Dynamic management team embarked on strategy of rapid growth by both acquisition and greenfield development.

THE POSITION
- Key member of management team. Reporting to Divisional Managing Director.
- Full responsibility for all financial management and reporting in this multi-business start-up.
- The first task is to set up financial systems and tight controls to demanding large group standards.

QUALIFICATIONS
- Graduate calibre qualified accountant aged 30–40 with senior financial control experience in a large group.
- Record of success in a multi-site service business, preferably at divisional level with international operations.
- Drive, personal dynamism and team orientation are essential.

Please write enclosing full cv, Ref BJ1466
NBS, Bennetts Court, 6 Bennetts Hill, Birmingham, B2 5ST

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- Activities range from marketing and distribution of motors to consumer and industrial products and from shipping services to timber resources.

THE POSITION
- Senior member of the Group Finance team, but with close active involvement with the field.
- Facilitate the flow and quality of information and be the major interface between Group and operational management.
- Analyse results, enhance working practices, support the businesses at the local and Group levels.

QUALIFICATIONS
- Strong minded graduate accountant or MBA. 28-33. Numerate with strong analytical and financial skills and commercial orientation. Prepared to travel.
- Experience in both a financial/strategic staff role with a progressive multinational and in a line finance function.
- Outstanding communication skills, used to working at the highest level.

Please write enclosing full cv, Ref SJ1570
Orion House, Grays Place, Slough, SL2 5AF

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FINANCIAL CONTROLLER

Thames Valley — c£26,000 + Car

A unique opportunity exists with an established company based in the Thames Valley, whose impressive organic and acquisition led growth identifies them as a commercially astute and progressive organisation.

Their core business is within the container leasing market, where they have enjoyed enviable success worldwide.

The successful candidate will be responsible for the complete accounting function which includes statutory and management accounting, budgeting, forecasting, development of MIS and stratgegic planning. The role requires an excellent communicator and man manager, as liaison throughout the organisation will be on a day to day basis.

The ideal candidate will be qualified and aged around 30 years, have a shirt sleeve approach, and have the flexibility and commitment to become a key member of the management team in an ever changing and demanding environment.

Please telephone or write to Brett Melbourne, Managing Consultant, at

MANAGEMENT PERSONNEL
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FINANCIAL ANALYST

£29,000 + Car + Bonus

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CINEMA

Fun fiddling with the facts

ROGER AND ME
Michael Moore

THE HUNT FOR RED OCTOBER
John McTiernan

MOUNTAINS OF THE MOON
Bob Rafelson

SHOCKER
Wes Craven

Who is Michael Moore and why is he saying these terrible things about Roger Smith? Let us begin at the beginning. Three years ago an unemployed journalist called Michael Moore started shooting footage for a documentary about the closedown of the General Motors plants in Moore's home town of Flint, Michigan. The film, *Roger And Me*, evolved into a freewheeling attack – comical-satirical-inflammatory – on the company's brutal indifference (so alleged) to the 30,000 job losses that resulted and to the spread of hardship and homelessness through the town.

The film also turned into an on-camera quest for GM chairman Roger Smith. Smith declined to be interviewed by Mr Moore, though the tubby director, who also acts as the film's narrator-presenter, chased him from city to city and finally cornered him at a Yuletide company gathering. Their 60-second exchange is preceded by some venomous cross-cutting between Smith's Christmas bromides from the speech platform and shots of a black family being slung out of its Flint home.

The film is snappy, funny, indignant and unpredictable. It won Mr Moore large audiences in America and Best Documentary prizes from both the New York and Los Angeles film critics. But – and this is a ten-ton "but" – it also brought down a minor avalanche of criticism. Why? Because the film was found to have fiddled the facts and fooled with the time sequence.

Fiddle number one. Much of Moore's satirical fire-power is aimed at the dotty urban renewal schemes that followed the GM closedowns. According to Moore, the shellshocked town of Flint said to itself "We must create jobs and attract visitors" and built a Hyatt hotel, a motor museum and a state-of-the-art shopping mall. These things were indeed built, as Moore says, and they indeed failed, as he also says. But they were built before, *not* after, the job losses the film depicts.

Fiddle number two. Ronald Reagan is seen in newsreel footage visiting the town and sympathising with the citizens' plight. The film omits to state that Reagan's visit took place in 1980, long before the big GM lay-offs and indeed before Reagan was even President. Fiddle number three . . . But the list could detain us indefinitely. *Roger And Me* is an exasperating movie not just because it reshapes truth to make a director's socio-satirical broadside but because the film could have been funny and damning without the chicanery. Moore is wonderfully acerbic about the celebrities visiting Flint and weeping their crocodile tears. And he homes in on bizarre local talent like the housewife who earns a living selling rabbits ("Pets or meat" says the sign) or the lady who has set up as a dress colour consultant, intuiting her customers' natural "seasons." The latter's panic phone call to Moore late in the film, to say she just realised she has got her own season wrong, is the funniest moment in the whole 91 minutes.

But even guffaws die quickly in a movie where neither the film-maker nor his story can be trusted. *Roger And Me* is the work of a snake-oil salesman with a sense of humour, passing himself off as a qualified doctor. It has an eclectic, fast-cut virtuosity: Beach Boys songs, old commercials, real-life comic vignettes like the garden party where Flint locals are hired as "living sculptures." But when you apply all this razzle-dazzle to the patient himself – Flint, Michigan – you find it neither cures the ailment nor makes any honest attempt to locate its source.

★

If Sean Connery ever pens his autobiography, "Roger And Me" may be among the short-listed titles. Mr C is currently in the business of outshining not just his former 007 rival but every other screen actor in sight.

Ageing into superstardom, he lifts *The Hunt For Red October* on his back and carries it from the murky waters of a routine submarine romp into a noon-bright human drama. The water slides from this grizzled giant as he emerges snowy of beard and toupee. We recognise the dimpled cheeks and the ironising eyebrows. And we recognise the Connery voice, that aromatic burr marinaded in 100-old Scottish mists. No nonsense, thank heaven, with Soviet accents.

The movie itself sturdily adapts Tom Clancy's truth-based best-seller about an advanced Soviet submarine and its rebel captain (Connery) bent on defection: a man whose Lithuanian origins lends handy topicality to a pre-glasnost story whose tensions might otherwise have sunk in the thawed hostilities of the Cold War. Will Captain Connery succeed in handing himself over to the West, plus vessel and willing officers? No, if the pursuing Russkies have their way. Yes if CIA agent Alec Baldwin has his, hopping from Pentagon to aircraft-carrier to helicopter to submarine in a game of geo-strategic hopscotch.

The film has an early longueur or two and director John McTiernan (*Die Hard*) seems to have composed his wide-screen images with the small screen in mind. Characters on one side of the frame talk to caverns of empty space on the other. But the adventure gathers momentum by the minute, there is a stirring climax and as Mr Connery's sub commander says, "It all reminds me of the heady days of sputnik and Yuri Gagarin." The difference is that back then Mr C was merely a gleam in the eye of Cubby Broccoli. Today he is an entire vegetable garden in the world movie kingdom, and the most tasty and organically grown in sight.

★

There is no escaping quest movies this week. After the hunts for Red October and Roger Smith, we search for the source of the Nile. *Mountains Of The Moon* is directed and co-written by Bob Rafelson, hitherto renowned for abrasive modern-dress pieces starring Jack Nicholson (*Five Easy Pieces*, *The Postman Always Rings Twice*).

"Abrasive" is the quality sometimes missing in this period-dressed trip through terrain covered years ago by a memorable BBC serial. That was small and in black-and-white. This is huge and in colour. Patrick Bergin and Iain Glenn star as explorers Burton and Speke, and among the questions asked are: Was Speke gay? Was Burton mad? And which one was right about the location of the Nile's source?

Rhoda Britton (with pet rabbit), Michael Moore and deputy Sheriff Fred Ross: all involved in Moore's 'Roger and Me'

Since everyone except possibly Burton's mother soon acknowledged that Speke was right, there is little suspense in the last question. Indeed the film's whole final act is fluffed. Amid too much Royal Geographical Society infighting we lose focus on who is claiming what, and on how many times Speke goes back to Africa and why Burton does not go with him.

The magic blazes up best in the wilderness: a desert attack of shocking brutality; a fevered, hallucinating Burton at sea in a tribal ritual; an etiolated Speke strapping on his courage like a foreign uniform and tramping off into the next mirage. With a story whose facts are already safely filed by history (unlike *Roger And Me*), even mythopoeic liberties seem pardonable. Rafelson adds twenty-odd years to the age of a poet Burton is introduced to ("This is one of your admirers, Algernon Swinburne"); and he has Burton's wife (Fiona Shaw) eagerly devouring his erotic manual *The Perfumed Garden*, although history suggests the erotic played little or no part in their marriage.

Who cares? Shakespeare fooled around with history whenever the chance presented itself. Nothing is wrong with re-landscaping the past so long as one puts up the sign "fiction" and allows the area to be bulldozed back to truth when necessity comes. *Mountains Of The Moon* is re-landscaping of a vivid, enjoyable kind and the best picture-book costume drama this Easter.

In the season of resurrection, we no doubt had to have something like Wes Craven's *Shocker*. Amputated fingers, electric chairs and raving killers returning from the dead. Some wittily gross one-liners apart ("Finger-lickin' good!" hums the villain after biting off a prison guard's digits), the film is frightful nonsense and tedious to boot.

Nigel Andrews

Jenufa

FESTIVAL HALL

On Tuesday the London Philharmonic (sponsor: Lloyd's Bank) brought Glyndebourne's 1989 *Jenufa* to London. The performance was with surtitles (reflected upon the organ casing), but without sets, costumes, or "moves;" yet all of the production's most important component parts were firmly in place, and almost all of its shattering power was recalled from the theatre. The allotted place of Janacek's opera in the current South Bank series devoted to Szymanowski ("Poland's Last Romantic") may have been slightly puzzling, but who honestly cares when the concert itself was so enthralling?

Perhaps the most valuable aspect of the occasion was the chance it gave to see and hear – in close-up, and refined to their essence – three characterisations of tremendous honesty, dramatic strength, and musicianly responsiveness: Anja Silja's Kostelnicka, Roberta Alexander's Jenufa, and Philip Langridge's Laca.

The interplay between the three, and indeed between the whole cast, the conductor, Andrew Davis, and the orchestra (on splendid form), was simply spellbinding. Every detail of word-inflection and tone-colouring resonated with meaning, to be then picked up and further shaped by another singing or playing voice. For long stretches the performance developed into the sort of cohesive ensemble – rare achievement! – that can make opera in general the grandest of all the arts, and this opera in particular one of its most life-enhancing examples.

After last summer's first night I drained my store of superlatives in attempting to describe the gaunt magnificence of Miss Silja's sextoness. The concert showed how much deeper Miss Alexander learnt to dig into the title role during the festival run – the singing was now full of subtle, ravishingly tender lyrical nuances, never self-conscious, and freely expressive right across the wide compass of the vocal writing (one or two hints of tightness at the top notwithstanding). In everything except the climactic vocal thunder of Act 3 Mr Langridge's command of Laca's dramatic development proves incomparable: the bitterness laced with passion, the slow growth toward understanding made wrenchingly eloquent.

It was a particular pleasure to find back in place Menai Davies's grandmother, Alison Hagley's Karolka, Linda Ormiston's mayoress. A Steva new to this country was produced for the concert, and far more effective than his Glyndebourne predecessor. This was the German tenor Peter Straka, alarmingly credible in both the drunken swaggering and the cowardice. For my taste Mr Davis too much softens and smooths the contours of the music – the treatment, slow and reverential, of Jenufa's heartstopping little "Good-night, mother" episode in Act 2 can stand as symbol of his whole approach. Like everything else about the performance Mr Davis's conducting was heartfelt, fully worked-out, and therefore on its own terms unarguably "right."

Max Loppert

Crux

LYRIC STUDIO, HAMMERSMITH

The Middle Ages were not – as this play by April de Angelis makes plain – a particularly good time in which to be a woman. Men had the whip hand (literally), and their authority had the formidable backing of the Church. However, there were even then, in 13th century France, courageous groups of women who attempted to break away with the help of various heresies, notably the Doctrine of the Free Spirit.

De Angelis and Paines Plough, the touring company that works closely with writers, confront us with such a group. It consists of four women of contrasting temperaments who have come together in a House of Voluntary Poverty where they live free from male domination in a spirit of sacrifice and privation.

A collection of mediaeval memorabilia hanging from the ceiling in Catherine Armstrong's bare set, chevaliers' leg-armour, a golden altarpiece, a scales of justice heavily tilted, and so on, remind us of the period, as do the smocks and wimples, but the essence is metaphorical rather than historical. The London voices, impure vowels and crude earthy speech are all of today.

Yet another play about the condition of women striving and ultimately failing to hang on to their territory? Yes, – and none the worse for that, performed with vigorous commitment by Kathy Burke as Joan the visionary founder, Tina Jones as the prostitute who still from time to time reverts to the game, Anna Keaveney as Marguarite, a simple soul who likes doing the chores, and Adele Saleem as Agnes as the religious masochist who finally crosses over to the other side to become a genuine nun.

The power of the Church is made incarnate in the figure of an exceedingly mixed-up Bishop (David Mallinson) and his randy young acolyte (Steve Sweeney). The text they all have to work on is intelligent, indignant and diffuse. It provides more opportunities for random role-play than any deep characterisation or penetration into this fresh angle on the war of the genders. Only at the end, when the House has been shut down and its inmates scattered, does the director Saffron Myers make us feel that these victimised women really are people.

Anthony Curtis

Look Look

ALDWYCH THEATRE

Michael Frayn's *Noises Off* was proof of how far a good dramatist can stretch a good idea; *Look Look* goes one further by demonstrating – in just under two hours of variations on a single theme – the perils of pushing just that little bit too hard.

Frayn's theme once more is the desconstructable theatre, his target the theatregoer in all his or her chocolate-munching, programme-scrunching, punchline-crunching glory. From behind net curtains we (the real audience) first become aware of them (the fictitious one) sidling, stomping and settling into their seats. "We are in the right theatre?" inquires one, anxiously. "I thought it was a musical," another moans. From tiered ranks of velveteen seats, rows F to I to be precise, they watch and wait, their latecomers – a squabbling family trio on a birthday treat – wearily berated by Stephen Fry's chunky-knit author, who has already witnessed the massacre of his full stops.

Then comes the interval (theirs before ours) and the welcome promise of some plot as birthday girl Lisa Jacobs is whisked off by drama pupil Steven Mackintosh for a little bit of nothing on the side to the huge and distracting consternation of his teacher, probably a paedophile, and her parents, undoubtedly insufferable.

Their consternation carries into the second act, past the ceremonial rolling back of auditorium seating (designer Carl Toms), into an extravagant pastiche of theatrical genre in which the author, reduced to mere character status, wades into the gravy browning and soda while around him rage suspense, romance, melodrama and comedy in slow, fast and medium motion. "I merely want you all to realise your possibilities," insists Fry, for a moment like a Pirandellian author in search of his characters.

The point, if one accepts that there is one, emerges towards the end in a courtroom drama defence of the theatre. It is, we hear, a confrontation, a process of watching and being watched which (grandiloquent offstage whisper) makes us understand that the present is huge and everlasting. Which is more than can be said for the play itself, however wittily Frayn sets about the business of constructing and demolishing the conventions on which it is based.

Basically there is no escaping the fact that what we (the real audience) are watching is a couple of sketches pasted together by some neat lines and nice acting from a cast who remain for the most part almost perversely unstretched by Mike Ockrent's energetic production.

Margaret Courtenay has a noble presence as the Lady Bracknell of Row F, opining to her daughter on all but the play, who metamorphoses after the interval (ours and theirs) into an unstoppably chatty Welsh character actress; while Robin Bailey's change from suavely untrustworthy teacher to panic-stricken understudy provides a few minutes of unrestrained hilarity, and Gabrielle Drake's demented raving with a pistol tries the tensile strength of the thriller to a busting point which has Michael Simkins' formerly smooth yuppie philanderer staggering comically about, his eye streaming with Kensington gore as his girlfriend (Serena Gordon) sublimates her earlier discomfiture by farcically brandishing a whisky bottle.

These are good moments but they remain only moments, in an evening which must surely provoke the assorted fan clubs of this celebrity assembly to return to their coaches echoing the play's own line: "£15 a head for that?"

Claire Armitstead

Alastair Muir

Ten new productions at Covent Garden next season

Despite a £3.3m deficit in 1989-90, which is expected to top £5m by early next year, Mr Jeremy Isaacs, general director of Covent Garden announced ten new opera productions (and eleven revivals) for its season opening in September.

None of the new productions will be lavish: one, *Orfeo ed Euridice* by Gluck, was seen briefly last summer when presented by Komische Oper of Berlin and another, *Fidelio*, started life at the Théâtre Royal de la Monnaie in Brussels last year, but even so it is an ambitious programme. The highlights are Massenet's *Don Quichotte*, performed at Covent Garden for the first time and Verdi's *Attila*, also making its Opera House debut; Richard Strauss's *Capriccio*, and *Siegfried* and *Götterdämmerung* joining the current *Ring* Cycle.

There is one world première, of *Gawain*, a new opera by Harrison Birtwistle based on the 14th century poem. The other new productions are *Carmen*, with Maria Ewing and Kathleen Kuhlmann sharing the title role and another Gluck, *Iphigénie en Tauride*.

Jeremy Isaacs is avoiding new productions of the operatic staples – *Aida; Traviata; Tosca* – until Covent Garden's new theatre materialises to take them in 1997. He remains optimistic that the Government, and the City, will step in over the next few months and rescue Covent Garden from its deepening financial crisis.

Whatever happens seat prices will be raised in the 1990-91 season above the inflation rate. A similar increase in the current season failed to stop paid attendances rising by 3 per cent, to 92 per cent of capacity. The Isaacs strategy is to make Covent Garden busy, popular and ambitious, and then to persuade the Government that it that, compared with other major opera houses, the ROH is a model of efficiency.

Antony Thorncroft

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TOWN & COUNTRY

Kid Creole is back – and with some new Coconuts. Why did he ever leave us and how did we survive without him? It is hard to imagine that the year will provide a more enjoyable concert experience than being crammed into the Town & Country with 1,500 abandoned spirits, and blasted both visually and aurally into carnival time.

The Kid is the bizarre creation of August Darnell, an otherwise sensible English graduate from the Bronx who around 1980 hid behind the outrageous personality of Kid Creole who was never seen in public without a ten strong band and a trio of Coconuts, three pouting, programmed, bimbos. The concept of a Latin lover, with the hottest gaucho band in old Havana, stormed Europe and then disappeared. The problem was that the excitement of a concert with the Kid could never be recaptured on vinyl. As chart buster Kid Creole was a bitter disappointment.

But with a new single, penned by Prince, Kid Creole is back. First on stage comes the band which throughout the mayhem maintains the strictest tempo; then a warm-up sidekick in a giant sized white golfing cap; then the Coconuts, ululating on in slinky black dresses, long red gloves, and pearls round neck and waist; and finally, in the biggest sombrero south of the border and pink suit, comes Kid Creole. Then it is straight into his theme song "I'm a wonderful thing baby," and the party begins.

Of course the whole thing is a joke, but because Kid Creole never relaxes the macho image, the audience gets the best of both worlds and can feel sophisticated and prurient at the same time. It would not work without a band which can slip from salsa to Dixieland to funk to the blues almost from chord to chord. With Latin music all the rage, Kid Creole is a man whose time has finally come.

The audience is ecstatic. It invades the stage to help him with a limbo sequence and shares his anguish in the impassioned song, "Don't take my Coconuts." By the end the Coconuts, whose dance movements seem based around the old music hall act of Wilson, Keppel and Betty, have gone through many costume changes and are reduced to basics. That's when the Kid, who treats them throughout with proprietorial disdain, sings, thanks to Prince, "You just want me for the sex." It would all be quite disgraceful if it was not for the high spirits, the precise stagecraft, and the body twitching mastery of the band.

★

Annie Griffin is "Almost Persuaded" for the last time tonight at the smaller offshoot of the T & C, a couple of miles away at Highbury Corner. Publicity had suggested that this thirty year old American was a prettier version of Hank Wangford, vocally parodying the ineffable, the three goddesses of country music, Parton, Lynn and especially Wynette, whose ballad "Almost persuaded" inspires the evening.

Publicity was way off target. Ms Griffin is a performance artist who spends 90 minutes acting around the theme, using the song of the wife temporarily bewitched by a honky tonk cowboy as the starting point for speculations about cowgirls, farmers wives and feminism. Once you resign yourself to no steel guitars it is a gently bewitching experience.

Antony Thorncroft

ARTS GUIDE

April 13-19

EXHIBITIONS

London

The Tate Gallery. Joseph Wright of Derby – a full study of the work of one of England's most distinctive painters of the 18th century, yet one, like his close contemporary George Stubbs, too often dismissed as a mere provincial. Daily until April 22, except Bank Holidays; sponsored by The British Land Company.

Paris

Musée d'Orsay. The Fragmented Body. Parts of the human body, or the incomplete body form the leading strand of an exhibition-beginning with ex-votos and reliquaries and culminating in a celebration of Degas, Bourdelle, Maillol and especially of Rodin with his masterly transition from realistic to abstract sculpture. Ends June 3, closed Mon, entrance Quai Anatole France (40494814).
Musée Carnavalet. Antique bronzes. Some 400 statuettes bring to life the Gallo-Roman world up to the 5th century. Closed Mon, ends July 1 (42722113).
Grand Palais. Pre-Columbian art in Mexico (1500bc – 1521ad). Closed Tue, late closing Wed. Ends July 30 (42895410).

Brussels

Musées Royaux D'Art et D'Histoire. The Enigma of the Easter Islands. Closed Monday, ends April 29.
Musee d'Art Moderne. Retrospective of the Belgian abstract/expressionist artist Englebert Van Anderlecht (1918-1961). Closed Monday, ends May 13.

Ghent

Museum voor Schone Kunsten. Flemish Expressionism in a European Context (1900-1930). Closed Monday, ends June 10.

Antwerp

Koninklijk Museum voor Schone Kunsten. Belgian Painters of Country Life. Closed Monday, ends April 22.
Museum van Hedendaagse Kunst. Beeldenstorm...Anno 1990 – Contemporary Dutch Artists. Closed Monday ends April 29.

Venice

Palazzo Grassi. Andy Warhol Retrospective. Until May 27.
Museo Correr. Jacopo Palma il Giovane (1548-1628). On show for the first time is one of the two albums of Palma drawings owned by the 18th century collector Anton Maria Zanetti (the other is in the British Museum) recently acquired by the museum, together with a selection of paintings, mainly of biblical and mythological subjects. Ends April 29.

Rome

Braccio di Carlo Magno in Piazza San Pietro: Michelangelo and the Sistine Chapel. This exhibition marks the end of a 10-year stint by Vatican restorers on the ceiling of the Sistine Chapel and the beginning of an estimated further four years' work on The Last Judgment. Open every day except Wed and on Sat from 9.30am to 11.00pm. Ends July 10.

Madrid

Museo Arqueologico Nacional. Art in the court of Naples in the 18th century. Ends May 6.

Barcelona

Museo Picasso. Cubist works belonging to the National Gallery of Prague – Kramar Collection. The show includes 17 paintings by Picasso together with an important selection of works by Czech and French artists. Ends April 29.

Berlin

Staatliche Kunsthalle, Budapester Strasse 42: Lasar Segall (1891-1957) around 350 paintings, drawings, sculptures and graphics of the Brasilian painter, born in Wilma, are to be exhibited until April 20.

Mainz

Landesmuseum. Marc Chagall (1889-1985).

Saarbrücken

Moderne Galerie. Growing on the Move. Retrospective of Paul Klee (1879-1940).

Vienna

Kunstsforum. Works by the Romantics, ranging from Caspar David Friedrich to Adolph Menzel.

New York

New York Public Library. More than 125 documents of the Abolitionist Movement, including photographs, letters and rare books, display the spirit and drive of the long effort to free the slaves. Ends Sept 15.
Jan Krugier Gallery. Graphics from the Marina Picasso Collection are on display under the title Picasso's Women, until April 28. 41 E. 57th (755 7288).

Washington

National Gallery. A joint Soviet-American collaboration brings together Matisse's fruitful and arguably pivotal work in Morocco during his visit in 1912-13 including 23 paintings and 45 drawings, among them the famous Moroccan Triptych from the Pushkin Museum, never before exhibited in America. Ends June 3.
National Museum of Women in the Arts. The first major retrospective of the work of Dame Elizabeth Frink includes 60 sculptures and 25 drawings.

Chicago

Chicago Historical Society. A special exhibit of Frank Lloyd Wright's designs for art-glass windows, furniture and silver shows why the details completed the Wright look. Ends June 17.

Tokyo

Tokyo National Museum. National Treasures of Japan. Painting, sculpture, calligraphy, craftwork, archaeological artefacts, from prehistoric times to the Edo Period. Opens April 10.
National Museum of Western Art. Bruegel and Dutch Landscape. 58 paintings on loan from the National Gallery in Prague. Closed Mondays.

FINANCIAL TIMES
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A policy for gas emissions

THERE IS a danger of the wrong signals emerging from the international conference on global warming which concluded yesterday in Washington. President George Bush, who called the conference, told the assembled dignitaries that more research was needed into climate change before the world rushed into radical and expensive measures.

At first sight, President Bush's warning might appear to be unexceptionable. It is a welcome antidote to hysterical fears that vast tracts of land will disappear under the oceans in the foreseeable future as greenhouse gases warm the atmosphere and melt the polar ice caps.

The world's scientific community is not united on the threat represented by the greenhouse effect. Some scientists still doubt whether prolonged warming is taking place, while others question whether human – as opposed to, say, solar – activity is the underlying cause of higher temperatures.

While many climate experts are convinced that industrial processes – and in particular carbon dioxide emissions caused by burning fossil fuels – are contributing to a rise in the world's temperatures, few are prepared to make categorical predictions. No-one can forecast at present the timing or extent of the impact on particular regions.

Disappointing tone

President Bush's cautionary note is a reminder of all this. Yet the tone of his remarks disappointed both environmentalists and some European Ministers. And tone is of considerable importance, because the debate about global warming is delicately poised. The world's governments are in the middle of a round of international meetings – of which this week's gathering in Washington is one – which will culminate this November in the Second World Conference on Climate Change.

It is still unclear whether this process will result in clear governmental commitments to combat global warming. But the hints now emerging from the US that the world's biggest emitter of greenhouse gases is preparing to sit on its hands is not a good omen.

Pragmatists like President Bush are right to be concerned about the costs of cutting emissions of greenhouse gases. Effective action would have to address two activities, energy and transport, which are fundamental to all industrial processes. One estimate prepared for the British Government suggests that it would cost \$130bn to cut the world's carbon dioxide emissions by a fifth by the year 2010 – or 0.5 per cent of world GDP at the time.

Huge transfers

Moreover, newly industrialising countries like Brazil, India, Mexico and China would expect huge transfers from the industrialised world in order to reduce their dependence on fossil fuels. And with some justice: for the industrialised world is in a weak position to ask developing countries to forego the benefits of a fossil fuel based economy which it has already enjoyed itself.

Yet it would be a mistake to be mesmerised by these problems. It should be perfectly possible to agree on a twin-track response – more research into global warming, as the sceptics demand, and actions to stabilise and then gradually cut greenhouse gas emissions over the next 10 to 20 years.

Promotion of energy conservation; encouragement of cleaner fuels for motor transport; the phasing out of chlorofluorocarbons; conservation of tropical forests; more rational energy use in eastern Europe; the transfer of energy efficient technologies to developing countries: programmes like these would be doubly beneficial. Not only would they help to reduce greenhouse gas emissions, they would also have a host of advantageous secondary effects.

It is also easy to be misled by the global nature of the problem. Seven countries – the US, Soviet Union, China, Japan, West Germany, the UK and Poland – account for more than two-thirds of all carbon dioxide emissions. Agreement among even a significant subset of these or among, say, the countries in the European Community would be an important breakthrough.

Undoing the predators

THE anti-takeover bill passed this week by the state legislature of Massachusetts in response to BTR's \$1.6bn hostile bid for the US industrial group Norton is symptomatic of a wider malaise over the way in which capital markets in the English-speaking countries influence the shape of the industrial structure.

More than 40 states in the US now have anti-takeover legislation offering protection to incumbent management and Wall Street is held in exceptionally low public esteem. In Britain industrialists have been unusually outspoken in their hostility towards the City. The Labour Opposition, meantime, has pledged to change competition policy so that the burden of proof will be on the predator to show that a given takeover is in the public interest.

This disaffection with hostile takeovers is understandable enough. In Japan and West Germany they are virtually unknown. In Britain and the US, on the other hand, predatory activity in the capital markets is often better rewarded than industrial innovation. Many of the raiders appear, at best, to offer no more than financial skills to the companies they threaten to acquire. Yet the banks, operating in an increasingly competitive environment, have been happy in their pursuit of fee income to finance raiders whose records range from the dismal to the non-existent.

Opportunistic climate

In this opportunistic climate simplistic definitions of shareholder value have been placed before the more durable values that underpin the German and Japanese growth miracles. Post-acquisition earnings are boosted by pension fund stripping and other destructive breaches of implicit contracts.

The litany can be extended at will. Whether it provides a justification for draconian anti-takeover legislation is another matter. For all their disadvantages hostile takeovers remain an important link in the chain of managerial accountability in the English-speaking economies. In their absence who is to discipline ineffective management?

In West Germany and Japan the banks played a key role in the second half of the 19th century in helping domestic industry catch up with the more advanced industrial powers. They played an equally important role in industrial reconstruction after the war. Such interventionism made sense in the absence of a well developed domestic financial system.

Potential remedy

Today, in a remarkable reversal of historical roles, Britain and the US have problems of competitiveness in relation to West Germany and Japan – made worse, some claim, by the over-sophistication of their financial systems. Interventionist industrial policy, with investment institutions playing a similar role to the German and Japanese banks in promoting industrial efficiency, is sometimes seen as a potential remedy.

Moves towards a responsible exercise of institutional power are all to the good. Yet the power that goes with the institutions' votes derives partly from management's vulnerability to hostile takeovers. Using those votes to replace underperforming managers directly at a company meeting is a much tougher proposition since alternative managers are not easily found.

Unlike the German banks in the 19th century and beyond, most US and British investment institutions lack specialist departments for supporting and promoting industrial innovation. The quality of individual bankers involved at key points in German and Japanese history was outstanding. In contrast contemporary managers in British and US insurance companies and pension funds are often underpaid and over-dependent on the support of overpaid analysts in the broking fraternity. So far they have been more effective in attacking managers' perks than correcting misconceived corporate strategies.

Against that background it is legitimate for legislators to seek to curb the excesses of the takeover boom. But to eliminate hostile takeovers without recognising the need for an alternative discipline in the shape of more effective institutional ownership is a recipe for industrial decline.

I f you ask participants at meetings of the Group of Seven Ministers or the Deputies about what takes place they will talk about examining economic indicators, comparing domestic demand in different countries, or the adequacy of world savings. That is they will talk about anything other than exchange rates.

Yet it is exchange rates which brought the predecessor of the G7, the Group of Five, into prominence at the Plaza meeting of 1985 that was called to give a downward kick to the dollar. They also brought the G7 itself into the news at the time of the Louvre Accord of early 1987, which was designed to stop the dollar's descent from going too far.

Indeed, it is the residual exchange rate co-operation still practised at the G7 – though diminished from the days of the Plaza and Louvre – that gets under the skin of the critics and leads to repeated calls to wind up the Group.

It must be accepted that the whole G7 co-ordination process in general, and exchange rate co-operation in particular, have been hampered by two big intellectual mistakes.

● They have been focused around the bogus problem of current payments imbalances. This approach takes as a norm a zero current account deficit, with no net international borrowing or lending. The Japanese and German payments surpluses, and the US current deficit (along more recently with that of the UK) have therefore been treated as pathological; and exchange rate objectives have been tailored towards remedying them.

● Secondly, exchange rate policy has taken too much the form of intervention or jawboning; and the more difficult task of altering domestic monetary policies to underwrite the desired exchange rates has been dodged.

● The Japanese and German surpluses were, in fact, a source of world savings; and now that they are on the point of dwindling the world is seeing the result in the shape of higher real interest rates.

A more appropriate model, avoiding both mistakes, would be for the G7 – or more realistically the Group of Three, ie. the US, Japan and Germany – first to agree on whether world monetary policies need to be tightened to avoid inflation, loosened to deal with an economic downturn, or simply kept on an even keel. If the verdict is for tightening, those countries with weak exchange rates, relative to the target band, should tighten more than others. If the verdict is in favour of loosening, then the countries with strong currencies should do most of the loosening. (Unfortunately, the short-cut method of using the Mark as the currency anchor, employed in the EMS, is not available on the global stage.)

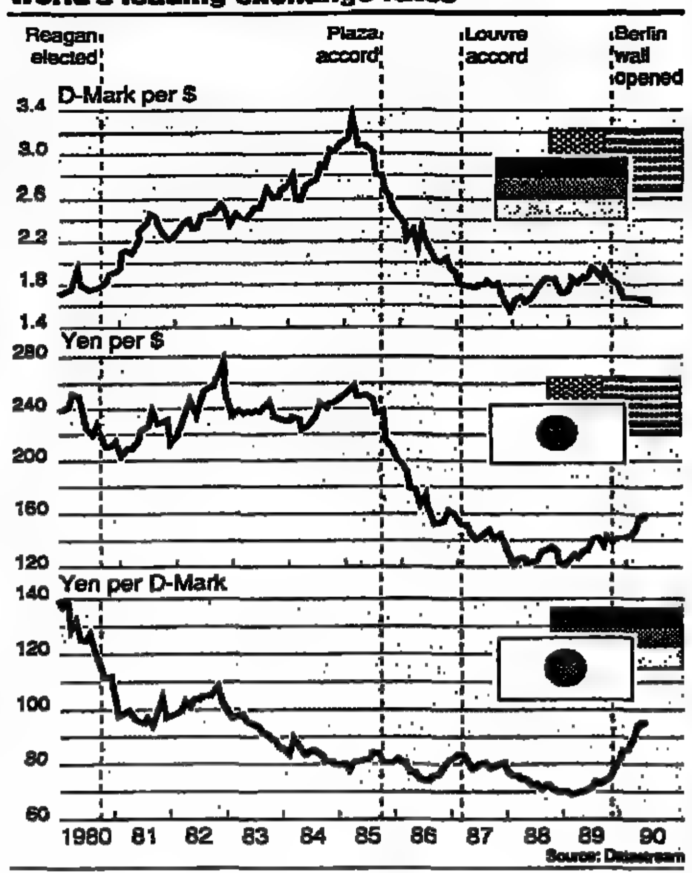
Another alleged deficiency of the G7 process is the absence of an international influence on fiscal policy. But this is no deficiency. Discretionary fiscal adjustments are much overrated, both as instruments of stabilisation and as long-term corrections for inadequate or excessive swings. The best counsel is still to budget for a balance over a whole economic cycle, but to take cyclical disturbances and other shocks in

ECONOMIC VIEWPOINT

Keep G7 on its toes

By Samuel Brittan

World's leading exchange rates



one's stride. Fiscal policy is inherently, moreover, a domestic political matter, where international pressure is likely to be least effective – while monetary policy, by its nature, is highly sensitive to international conditions.

One problem with both the international monetary approach just outlined, and the G7 process as it has actually operated, is to select the target bands or reference ranges for exchange rates. To give an idea of the diversity of opinion I have listed in the table estimates of appropriate exchange rates on two different bases. The Purchasing Power Parities (PPP) are designed to equalise prices indices of internationally traded goods and services. The Fundamental Equilibrium Exchange Rates are based on international trade elasticities and "normal" capital flows.

Appropriate Exchange Rates

	Purchasing power parity (PPP)	Fundamental equilibrium exchange (FEER)
DM per Dollar	2.34	1.60
Yen per Dollar	209	115
DM per £	3.30	2.55

Source: PPP rates from Goldman Sachs; FEER rates from Simon Wren-Lewis NIESR

Behind the two approaches are very different visions of how the world's economies interact. The Group of Seven, the IMF and most international bodies gravitate towards FEERs, because their members have been brought up to be pre-occupied with current account "imbalances." But they might still be very misleading if the ultimate effect of nominal exchange rate changes is on relative inflation rates rather than on the balance of payments.

Some of the pernicious aspects of current beliefs can be seen at work in one piece of exchange rate co-operation which does still occasionally come to life. The Bundesbank looks for opportunities to nudge the Mark up against the dollar, while the US Administration (although not the Fed) is happy to see the dollar edged down a little from time to time. The dollar policy flies in the face of the Purchasing Power estimates, which suggest that the US currency ought to be much higher. Moreover, even the balance of payments based estimates suggest that the dollar is already nearly as low as required relative to the Mark.

There are of course extreme devaluers in the US, such as Professor Martin Feldstein, who want to see the dollar much lower still. But it is astonishing to see him blaming G7 exchange rate co-operation for the dollar's obstinate refusal to follow his predictions and recommendations ("Time to bid farewell to the Louvre accord," FT, March 29). For market forces have been pulling the dollar up; and such G7 efforts as there have been for quite a while have been trying to offset them.

The present flashpoint of the supposedly low yen may also be a non-problem. The yen is midway between FEER estimates which suggest that it is too low and PPP estimates which suggest that it needs to fall a good deal further to around Y200 per dollar.

Be that as it may, the wrong way to stop the yen falling further is for the Americans to lower interest rates or for Germany to abandon monetary tightening. Both these partner countries are too near the inflationary verge to risk such actions. If there were an international standard, Japan would have to maintain its parity by raising its own interest rates which is in any case advisable to counter inflation.

Should one try to disband of a process in which the participants follow beliefs one regards as flawed? It is like asking whether one should disband the EMS because it needs to move further towards monetary union. Politicians and central bankers are not going to find the right target ranges or policies to back them up, first time round. Nor, for that matter, are economists.

The only case for disbanding the G7 would be if one believed that its operations have been on balance very harmful. Someone who thinks that the support of the dollar under the 1987 Louvre Accord caused the Wall Street crash and that that crash harmed the world economy (rather than bringing on an overdue correction in inflated stock market values) might have a case. So might a person who is convinced that the interventions of that year raised the world money supply and brought about the renewed inflationary trends. He would have a hard time demonstrating this. For if the pro-dollar interventions of 1987 promoted inflation, the anti-dollar ones of 1989 and 1990 must have been restraining it. Unfortunately, the opponents of intervention simply assume as a matter of dogma that it is always bad, in whatever direction it goes, and always unstabilised, without stooping to demonstration.

In fact, the sillier actions to influence exchange rates have been avoided. The US and Germany have refused to rush to help the Japanese this year. Germany has – since its bad experience after the 1978 summit – always resisted calls to inflate to help its partners.

Even without further progress, the G7 can perform a useful function in dampening the more extreme over-shooting of currencies, such as the pound in 1980-81 or the over-valued dollar of 1984-85, which were overvalued on any theory. It is worth keeping the G7 on call to deal with such emergencies, as well as with the more ambitious task of working towards a world monetary order.

BOOK REVIEW

Cosmology of the invisible

THE FIFTH ESSENCE: THE SEARCH FOR DARK MATTER IN THE UNIVERSE
By Lawrence Krauss
Hutchinson Radius, £16.95

How satisfying it would be to resurrect those learned men of the inquisition who threatened Galileo with torture in 1633; and to expose them to the triumphs of modern cosmology.

They would be forced to see, not merely that the earth moves as Galileo proclaimed, but that it cannot possibly be the centre of the cosmos. Some 100bn stars make up our own galaxy and 100bn galaxies exist in the visible universe.

The big earthbound telescopes such as the 200 inch Mount Palomar instrument in California have long since photographed the nearer galaxies as great spinning discs or Catherine wheels with trailing limbs. Soon, the Hubble telescope – which is to orbit the earth – may find direct evidence of other planetary systems among these multitudinous stars.

Remarkable as these discoveries about the extent of the universe have been, they would astonish and discomfit our 17th-century guests much less than the reaches of modern theory.

Now it seems that although the earth is the merest speck in the visible universe, those billions upon billions of blazing galaxies represent only perhaps 1 per cent of everything that is there. The extra 99 per cent of matter is "dark," so we cannot see it, but it must exist, according to Lawrence Krauss, a Yale university physicist, to explain the way in which the galaxies bunch and whirl together.

Or perhaps our total universe (bounded in time by 10bn years or so since the Big Bang and bounded in space by the distance light could travel during that period) may have been just a tiny bubble of energy and matter in an unimaginably larger explosion? By now the grand inquisitor would surely be boiling with scepticism.

"Let us accept," he says, "Your evidence of distant galaxies. You say that that the farthest stars appear redder than they should because they are moving away from us and presumably from each other. If your learned men are right about this, it does indeed appear that the universe must be expanding. Perhaps it follows that all matter must once have been in the same place, an inferno in a grain of sand, held between the fingertips of the Almighty. You may even be right that the microwave radio signals that you say emanate from every corner of the sky are the fading echoes of that 'Big Bang.'

"But to argue about matter so far undetected, or the condition of the universe a billionth of a second after its creation is repugnant to the logic even of your strange new fashion of thought called science."

For those similarly puzzled, Krauss offers a sort of Cook's tour of the latest frontiers of cosmological theory, attempting to show how recent observations of the very largest structures, and the puzzles they set, must be reconciled with evidence about the very smallest sub-atomic particles of matter, as described in Quantum Theory.

His large scale puzzle is that the force of gravity is too weak to account for the observed concentrations into clusters of galaxies. Deductions about the force of the Big Bang, based on the speed with which far off galaxies are receding, suggests that matter should have been blasted more evenly – as gas and dust – throughout available space. Krauss explains all this carefully, but he lets the intellectual scenery flash past at a bewildering pace. Ancient ideas of creation, Einstein's Theory of Relativity and Quantum Electrodynamic Theory have all been traversed by page 42. But this is just background: Krauss wants to explain that if gravity is too weak to explain what we see, there must be some invisible binding agent holding the stars together – probably huge amounts of cold matter, emitting no light, but exerting a powerful gravitational pull on the hotter stars. What is it and where did it come from?

This takes the reader to the very edges of knowledge where the elementary particles of matter split, disappear and reappear from the void or may be melted into pure energy. Observation of how these particles behave in terrestial experiments (including giant accelerators) have enabled theorists to build computer models of the whole expansion of the universe from a split second after Big Bang to the present. When these simulations predict a night sky similar to what we actually see, the excitement of the chase becomes intense. What else was right about these models?

Laymen may be less interested in the "correct" answer than in the methods now being used to probe the furthest limits of speculation. Krauss is an able physicist reporting from the front line, often conveying the excitement and uncertainties of the campaign. So it is a pity that he sometimes perpetrates such sentences as: "Another more exotic scenario could alter the nucleosynthesis constraints on baryon densities observed today." This vulgar trick of describing speculations as if they were noble truths awaiting the homage of facts is just the kind of error a seventeenth century inquisitor would recognise and jump on.

Max Wilkinson

Let the good times roll

OBSERVER

■ Two weeks ago, at Dartington Hall in Devon, a place of much beauty, creativity and past iniquity, there convened a group of environmentalists, new ageists and entrepreneurs to contemplate the subject of business as the cutting edge of the 1990s.

From which there half-emerged a theme, best, but not only, articulated by Jonathan Porritt, about to leave the Friends of the Earth for pastures that might be politically green. This is that the decade just under way is more likely to resemble the 1960s than the two which succeeded it. The arguments include a rebirth of idealism and activism, after 20 years of self-centredness, and a greater tendency towards honesty rather than ideology. This might be most apparent initially in an advertising industry now more concerned with information than with image. Some of the initial attempts to try this out – such as Rover's now withdrawn commercials – have not got it quite right.

A 1960s renaissance is, of course, devoutly to be desired and not only by those with stocks of flared jeans, miniskirts and Avengers-style catsuits (all coming back). In fact, it is almost certainly already happening. The star at Dartington was Anita Roddick of the Body Shop, whose environmental activism marks her out – and this is meant as a compliment – as a child of the 60s who happens to have great commercial acumen.

By this same token, the progressively falling commercial and financial icons of the 70s and 80s, whom we will not embarrass – or attract litigation – by naming, seem to have left a general legacy of tarnished financial techniques and voguish demand, but not one of charity or social and political engagement.

In popular music, of course, the trend has long been apparent, as semi-geriatric groups play their old (and good) songs to audiences no longer exclusively made up of ageing hippies. A necessarily subjective judgment, though fortunately shared by our music critic, is that the star turns in the Mandela concert on Monday night were Neil Young and Bonnie Raitt, both of whom have been around for a bit. My personal unrivalled collection of Dylan tapes and records may yet attract the attention of Sotheby's, but, as a child of the 60s, greed will not tempt. They will be played until they break.

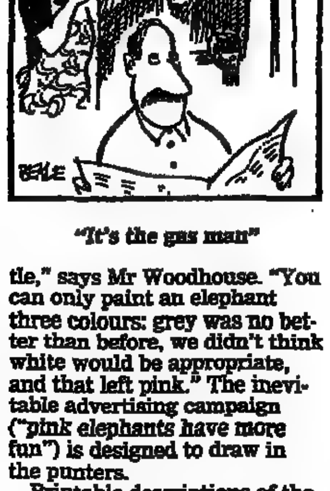
Pink elephant

■ Not everything from the 1960s was beautiful, though a lot was psychedelic. There is no worse example of brutalist architecture than the Elephant and Castle shopping centre in south London. Incredibly, someone has painted it a shocking, even hallucinogenic, shade of pink, but it is not a practical joke.

The Elephant, built, naturally, in 1964, is one of the country's least successful shopping centres. "It's been a disaster – a real white elephant," admits Chris Woodhouse, investment manager for UK Land, the small property company which bought the site from Land Securities a year ago and claims responsibility for the lurid paint job.

The Elephant shopping centre is the depressing focal point of an unattractive network of major roundabouts, dingy subways and decaying 1960s architecture. It is redeemed only by the best pizza house in London. During its 25-year life, the Elephant has never been fully let, and it has never been repainted. UK Lend wanted to put both faults right.

"We wanted to make a statement that we were doing something about Elephant and Castle," says Mr Woodhouse. "You can only paint an elephant three colours: grey was no better than before, we didn't think white would be appropriate, and that left pink." The inevitable advertising campaign ("pink elephants have more fun") is designed to draw in the punters.



"It's the gas man"

Printable descriptions of the colour vary. Urban Space Management, which is putting UK Land's plans into action, calls it "a sharp Schiaparelli pink." Mr Woodhouse is blunter: "It's outrageous," he says. He was born in the 1950s, and thus qualifies as a child of the 60s.

Velvet kitsch

■ The decade was not a unitary piece but in the beginning a continuation of the 1950s, when there were very large cars and Elvis Presley. The best place to sample pre-history is the Darwinian restaurant called Chuy's on the outskirts of Austin, Texas. Not only does it offer superb Tex/Mex food, which is ageless and, since they refry the beans, not given to excess or toxic waste, but it is a haven of kitsch – from the countless chrome hub-caps which adorn the ceiling of the main eating room (dining is too pretentious) to the lucky-dip machine and the juke-box. But, above all, it is a shrine to Elvis. There are pictures of the Lost Idol everywhere – generally in his younger, slimmer days; even one in velvet, the ultimate accolade. The message is, of course, Elvis Lives. Even George Bush joked the other day about getting a phone call from him.

Blacked words

■ While Thatcher still reigns, and with Reagan, on whom the 1960s left only a negative imprint, in eclipse, it is not surprising that revivalism is most prevalent in the US (apart from east Europe, but that is a later story). The Village Voice of New York recently produced, under the headline Life in Hell, a list of forbidden words for the 1990s. Among the best are:

Baby boomer; Betamax; bimbo; celebutante; co-dependency; croissandwich; dancercize; be happy; dramedy; dry beer; go for it; gorby (shurely shome mishtake?); high concept; hyper anything; infotainment; just say no; male bonding; neo anything; pictionary; power breakfast; rambo; shop till you drop; sound bite; spin control; tofutti; trance channeling; wannabe; and last, but not least, yuppie.

Blue suede

■ But do not think that east Europe is unaware of the material symbols of the 1960s. An East German lonely heart put the following in a London classified ad column: "What a cold and lonely night this will be. Please free this deserted training shoe from its locker. I need you, xxxx Freudenberg GDR."

Jurek Martin

The European gas industry is controlled by a few. **Steven Butler** on reforming a market anachronism

All change ahead

EUROPE is facing a critical choice over the future of natural gas: whether to force open pipelines and allow free competition among gas suppliers, or whether to continue allowing a few territorial monopolies to control the industry.

There appears little to choose between these stark alternatives. European Community competition policy is inconsistent with the current structure of the industry.

Europe's big chemical companies claim they can make huge savings if only they can negotiate gas purchases directly with producers. Yet the pipelines and the oil companies strongly oppose allowing gas-to-gas competition through mandatory open access – forcing pipelines to transport gas for a fee.

The issue is important because it could affect whether gas consumption grows rapidly at a time when European environmental concerns make gas ever more attractive.

Mr Jonathan Stern, a gas specialist at the Royal Institute of International Affairs, says control of gas by a few big players is an anachronism and doubts whether the industry will be able to deliver large extra quantities of gas at the right price. "The industry is about to move on to a new era," he says.

The *transmission industry*, however, says that allowing industry to contract directly for gas would erode their markets and end their ability to sign long term purchase agreements. This, they say, would jeopardise future multi-billion dollar investments, halt projects and sharply reduce the security of supply.

Are the transmission companies merely defending their patch? Or does Europe's gas supply face a genuine threat from reform

EC energy ministers in October deferred a decision on a draft proposal to force pipelines to transport gas for others. Currently, they act as a gas merchant, purchasing nearly all gas passing through the pipelines and reselling it to customers. Reform measures are now under consideration by the European Parliament and ministers are due to meet again in May.

In 20 years natural gas has more than tripled its share of West European primary energy supply to about 18 per cent. About half the supply is indigenous to countries where consumed, while the balance comes from the Netherlands, Norway, Algeria, and the Soviet Union.

Unlike oil, which is loaded onto barges, shipped anywhere, and sold for the going price, most gas is transported in *dedicated* pipelines serving defined geographic markets, on the basis of contracts lasting up to 25 years.

The gas contracts split the risk of volume and price between the pipeline and the producer. The pipeline agrees to pay for, say, 80 per cent of contracted volume even if delivery falls short, while the producer takes a price linked to traded oil products, ensuring that gas can always compete against the alternative fuel. Yet gas prices are not linked even theoretically to an efficient long run marginal cost of supply nor is there direct gas-to-gas competition.

Cefic, the federation of European chemicals companies, says that in a free market, as producers competed, prices would eventually drop by 35 per cent and gas's share of the energy market would rise by 50 per cent. Cefic notes the abundance of gas reserves in and around Europe. It points to the US experience, with its open access system, and the comparatively low industrial gas prices.

Yet even Mr James McKinnon, the UK gas regulator and a natural friend to open access, says that the debate is fairly evenly drawn. He points to the lack of integration among national gas networks, the bewildering plethora of industrial structures in individual countries – *ranging from the* integrated gas monopoly in France to the unregulated German market that has 29 transmission companies – and, reflecting on his own experience with British Gas, the formidable political, legislative and regulatory effort required to introduce competition on an American or a British model.

"The British Gas situation is a kind of microcosm," he says. "Even in one country it has been extremely difficult. The EC could take the initiative but would encounter powerful entrenched interests."

The proponents of change say that Europe's abundant gas reserves create a buyers market in which producers will anxiously bring more gas into production even at lower prices. Abundance of supply was a central assumption in a study for the EC carried out by Coopers and Lybrand, who suggested this was a precondition for open access to work. Otherwise a multiplication of buyers negotiating supplies could result in bidding up prices.

However, almost by the month, as the environmental movement gathers pace, analysts are revising upward estimates for the speed of demand growth, especially as gas becomes a more economic fuel for power generation.

"The European gas market is facing the prospect of very high relative growth," says Mr Nick White, of Arthur D Little, the consulting firm advising some of the gas companies. "Before too long Europe will need new trunk lines to move Russian gas."

Arthur D Little projects an increase in demand of between roughly 20 and 50 per cent by 2010 to as high as 350bn cubic metres a year. Any increase in demand above 50bn cu m a year, it believes, would have to be met by new high cost gas supply. Projections by leading oil companies are similar.

This would involve multi-billion dollar investments to bring capacity on stream, including a new Soviet supply line from Siberia, pipelines across the North Sea and the Mediterranean, and liquefaction plants in Nigeria.

The chemical companies argue investment on this scale would materialise under open access because this scale of investment takes place in other industries without secure markets.

But with risks going up as a result of less security of off-take, projects would almost certainly go ahead more cautiously and only on the expectation of a higher price. Financing costs would rise.

At the same time alternate fuels provide a cap on natural gas prices and higher prices imply lower demand and fewer or smaller projects.

Troll, the $6bn Norwegian gas field, may have gone ahead even without a long term take or pay contract, but there is no experience anywhere in the world to indicate that it would have, even in the US, where open access was introduced in a period of falling demand and excess production capacity. In the US today, even with a developed gas spot market, financing for trunk pipeline construction is proceeding only with long term, booked transportation agreements, and doubts are growing over whether enough production investment will materialise to avoid a shortfall in deliverable gas later this decade.

This amounts to an argument against undermining the pipeline's ability to honour current contracts or negotiate new supplies. Yet Mr Stern, while accepting this, still takes the view that if spare capacity exists in pipelines, why should pipelines not offer space to others for a fee? Whether this would bring economic benefit to the EC is impossible to know, he argues, but it would be consistent with economic policy of offering more choice to consumers.

"If the end result is that consumers will pay more, then they won't *do it*," he says. "It is not going to mean very much very quickly."

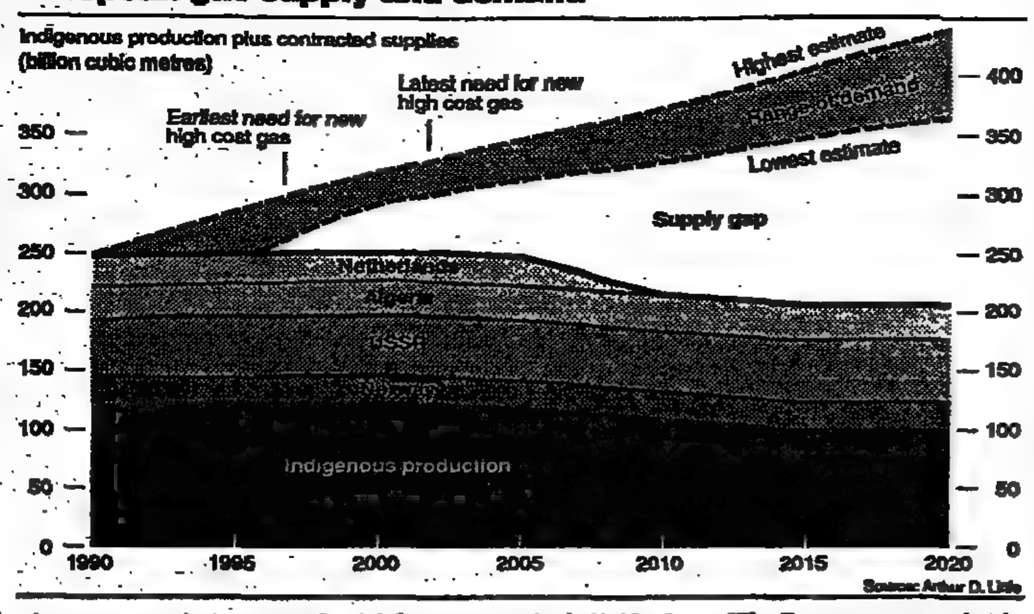
Under current EC competition law, refusal to allow spare capacity to be used could be interpreted as an illegal abuse of a dominant market position.

Ruhrgas, the German pipeline company, suggests the appropriate way of liberalising the market would be to lift restrictions on pipeline construction and gas purchasing.

Indeed Wintershall, a subsidiary of the German chemical group BASF, is proposing to build a pipeline in the backyard of Ruhrgas to serve its own plants and potentially to compete for Ruhrgas customers. The demarcation agreements among German pipeline companies which prevented direct competition will expire in 1994, and these anti-competitive agreements look unlikely to be renewed.

Change is coming to the industry, regardless of what the EC decides. The EC will have enough difficulty ending statutory monopolies that are the plainest impediment to competition. Mandatory open access may appear an obvious way to shortcut this process but the risks are high and the results uncertain, particularly in view of the US experience in which a decade of non-stop regulatory turmoil has yet to end.

European gas supply and demand



Source: Arthur D. Little

America's changing self-image

What next for the US?

By Herbert Stein

The United States is in a peculiar condition of indecision and inertia, suspended between thinking that nothing needs to be done and thinking that nothing can be done.

On the one hand, we are seeing the achievement of objectives that have dominated our attention for half a century. Abroad we witness the disintegration of our mortal enemy, aggressive totalitarianism. At home we are enjoying our longest continuous economic expansion.

These successes are seen by many as the ultimate proof of our virtue and of that of our system: we have returned to the Garden of Eden, where we can remain forever if we only resist the temptation to eat the apple of increased taxation.

On the other hand, we feel that our leadership in the world is passing and that our ability to deal with our problems has shrunk severely. In the minds of many Americans we are no longer the Number *One economic power and* are falling farther behind. We cannot balance our Federal budget and we cannot balance our international accounts. We are dependent on the inflow of capital from Japan and Europe and are running a distress sale of cherished assets, like the Rockefeller Center.

President George Bush embodies both of these attitudes. He inherits the idea that Reaganism has solved all our problems and that it is now sunrise in America. His own vision of "a kinder and gentler nation" sounds like the wish of a dancing-school teacher that the children would be a little nicer. At the same time he is doubtful of our ability to accomplish even the little that he sees as being necessary. The only memorable line from his inaugural address was, "We have more will than wallet."

But neither of these attitudes is valid. We do have problems, and we do have the capacity to deal with them – at least more effectively than we are now. More important, in my opinion, these negative attitudes will not continue to dominate American policy in the 1990s.

The list of conditions in which America's problems can be found is fairly obvious:

- There are a number of people, perhaps one per cent of the total population, who constitute an "underclass." They have high rates of illegitimacy, illiteracy, crime and drug addiction and alienation.
- There is another group, perhaps 10 per cent of the popula*tion, that is poor by American* standards, and this fraction, after declining until about 10 or 15 years ago, has been essentially static since.
- Crime, especially drug-connected crime, has taken over sections of our large cities and threatens life outside those battle-zones.
- The condition of education in America is bad by international standards, and by the expectations of many people who had their schooling in a previous generation.
- Countries in central and eastern Europe are trying to create free societies. Their success is of interest to us, economically and politically. Success is not assured and will depend in part on the actions of the industrial democracies, including the United States.

In the *minds* of many Americans we are no longer the Number One economic power

- A large part of the world lives in conditions of abject misery and that, too, is of concern to us – as human beings, if not otherwise.
- Saving in the United States is low, in comparison with our past experience, partly because much of the private saving is absorbed in financing the budget deficit. As a result, investment in America by Americans is low and this restrains the rate of growth of productivity and incomes.

Even people who accept that these are important problems are likely to resign themselves to the idea that we can do nothing about them. This means, as the first line of argument, that we do not have the money.

In an economy with a GNP of $5,500bn (£3,437bn), however, it is not credible that we do not have the money for programmes that cost $10bn, $20bn or even $100bn. We are now spending $1,100bn more on personal consumption per year than would be required to maintain the 1969 level. To say that we do not have the money to deal with our national and social needs means only that we would rather not give up a small fraction of our increased *consumption*.

Operationally, this means that politicians are afraid either to cut the huge Federal transfer payments to people who are not poor – for retirement, for medical care of the elderly and for assistance to farmers – or to raise taxes.

Money by itself will not solve our problems. Intelligence, compassion, and a determination to tackle vested interests will also be needed. But money will help. In the political process it is the common perception that the unavailability of money impedes action.

The American people will not continue to be satisfied with a government that offers them only the prospect of more and more consumption. They will be bored and welcome a *call to a more exciting* and uplifting political life. Politicians will come forward to meet this desire. We went through this at the close of the Eisenhower Administration. In many respects the eight Eisenhower years were great years. But they were without great national issues or goals. Even President Eisenhower recognised this and, characteristically, set up a commission to discover what our national goals should be. Presidents Kennedy, Johnson and Nixon appreciated the national desire for activism and national purpose and tried to identify themselves with it.

Opinion polls show rising concern with our social problems, in particular education, drugs, child care and health care for the poor. So far, the policy response to these concerns has been muffled by unwillingness to ask the American people to pay for the solutions. But politicians will emerge to break through this barrier, and I believe they will discover that the people want America to be not only a richer economy but are willing to pay for a better society.

The author was chairman of the President's Council of Economic Advisers 1973-74 during the administration of President Richard Nixon

LETTERS

Shareholders must act decisively on Vickers' issues

From Mr D.H. Brydon.

Sir, On April 26 Vickers' shareholders will be asked to vote on the resolutions which IEP Securities Limited, a subsidiary of Brierley Investments Limited, has demanded are put to shareholders.

These *proposals* are that Rolls-Royce be demerged, the company be authorised to buy in up to 25m ordinary shares, and the company take steps to repay and cancel its preference stock.

It is important that shareholders in Vickers not only consider these resolutions with great care, but also take advantage of their right to vote.

IEP Securities has been a significant and growing shareholder in Vickers for more than two years, and for most of that period its intentions, peaceful or predatory, have not been clear.

It is, however, only in the last few months that it has been established that IEP does not intend to launch a bid for Vickers, *but rather* that it is keen to enhance shareholder value.

Clearly, all shareholders should be keen to extract maximum value from their investments and all reasonable suggestions for extracting that value should be considered. It is for precisely these reasons that it is important for shareholders to vote.

Managing a company with a range of businesses, demands considerable resource and long-term planning. The prospect of a long-term focus for discontent if the issues in question are not settled is potentially damaging for the company. The issues should be settled decisively and unequivocally by the shareholders who are the owners of the company.

D.H. Brydon,
Chairman,
Institutional Shareholders' Committee,
PO Box 439,
Seal House,
1 Swan Lane, EC4

Cambodia: too long a boycott

From Mr Peter Carey.

Sir, Fifteen years ago this week (April 17, 1975), Khmer Rouge troops entered the Cambodian capital, Phnom Penh, emptied the city at gunpoint and ushered in a reign of terror which claimed the lives of nearly 2m Cambodians between 1975 and 1978.

Despite recent international efforts to end the civil war (now in its third decade), a political solution to the Cambodian problem is as far away as ever. Thanks mainly to the continued and unstinting support given by China and the West to the Khmer Rouge and their non-communist allies (Sihanouk and Son Sann), who are able to operate with impunity from their safe military bases on Thai sovereign soil, the war has intensified.

Since the Vietnamese pull-out last September, the civilian populations of the war-affected western provinces have suffered particularly severely. Upwards of 200 civilians mainly women and children, undergo amputations each month because of landmine and anti-personnel explosions, and only a small percentage of these get any form of rehabilitation or artificial limb.

Given the urgency of the situation, should Britain be doing more to speed a political solution and help the Cambodian people in their hour of need?

Why has the British Red Cross, for example, not joined its Swiss, Swedish, French, Australian, Polish and West German sister organisations in giving badly needed assistance to the overstrained Cambodian medical services?

Why has the Foreign Office not followed up its dispatch of a Bangkok-based diplomat and Overseas Development Administration doctor to Cambodia last December to establish a more regular on-the-spot monitoring of the fast-changing Cambodian situation? This absence of official diplomatic reporting from Cambodia is all the more surprising when one considers the pivotal role which Britain as one of the Permanent Five has recently played in bringing the Australian-sponsored United Nations peace initiative before the Security Council.

With so much at stake in Indochina for Britain, not least in terms of commercial opportunities and the need to staunch the haemorrhage of boat people to Hong Kong, surely the time has come for Britain to establish a permanent diplomatic presence in Phnom Penh?

Fifteen years of political boycott and official ostracism is too long.

Peter Carey,
Trinity College,
Oxford

Keeping the grapes from wrath

From Mrs R.C. Allcard.

Sir, How does Automac ("Time to pack the customer's bags," Worth Watching, April 3) plan to persuade supermarket check-out assistants, using its new check-a-bag system, not to hurl the can of beans straight down the chute on top of the bunch of grapes?

R.C. Allcard,
Hort Dret,
L'Aldosa,
La Massana, Andorra

Mr J. Brown: A number of words were inadvertently omitted from Mr Brown's letter ("The targeting of savings," April 7).

The *relevant sentence* should have read: "This occurs with net personal sector savings held in interest bearing deposits but is not the case with most savings flowing into equities or gilts."

Overlap in the EC's anti-dumping and competition law cases

From Professor P. Messerlin.

Sir, Mr Wegter (Letters, March 22), on behalf of the anti-dumping office of the European Commission, states that with the exception of the PVC and LDPE cases I analysed, no anti-dumping cases overlapped with any of the competition law decisions taken between 1980 and 1988.

That is simply not true. Aluminium provides another "exceptional" case with a "twin" anti-trust case under Article 85 (1984) and nine aluminium anti-dumping cases (1982 and 1983). The plasterboard anti-dumping case (1984) is the perfect twin of an anti-cartel case (1988) under Article 86. And the list goes on with overlapping cases in consumer electronics, colour films, glass products, plywood, non-ECSC steel, titanium or wood pulp products, not to mention the soda ash and cement cases currently under anti-cartel investigations.

Last but not least, there are the never-ending "soap operas" where anti-dumping actions completely distort the meaning and impact of temporary competition decisions (at the national as well as European Community level) – in ball bearings, ECSC steel products, photocopiers, printers or various synthetic fibres. All these cases add up to almost one fourth of anti-cartel and anti-dumping cases.

Moreover, the anti-dumping office cannot have missed the fact that some anti-dumping *cases* have created *de facto* monopolies – although there are no formal competition law decisions for these products – as well illustrated by the ferro-chromium or thiophen cases.

The anti-dumping office spokesman qualifies as *"wrong" my estimate of the* cartel rents. These I made by multiplying the quantity sold by the price increase triggered by the anti-dumping-driven collusion. That does not strike me as wrong; it is simple economics. Maybe that is where the shoe pinches.

Mr Wegter suggests consultations between the anti-dumping and competition authorities in the Commission do take place. The great number of overlapping cases, however, missed by the anti-dumping office spokesman suggests these are not working terribly well.

More fundamentally, consultations without rules are useless. In this case, clear rules mean that EC anti-dumping regulations should be subordinated to the competition principles embodied in Articles 85 to 90 of the Treaty of Rome, the European Community's constitution.

Patrick A. Messerlin,
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Paris

FINANCIAL TIMES
Thursday April 19 1990

East European aviation market takes off

Airlines in the former Soviet bloc are shopping in the west, reports Paul Abrahams

WESTERN companies are scrambling to take advantage of the fast-growing eastern European civil aviation market – one of the few sectors where former Soviet bloc countries have proved willing to pay considerable sums of hard currency.

At least 21 aircraft have already been sold in the region by Boeing and Airbus during the past two years. Other aircraft have been provided by leasing companies.

In the wake of the airframe manufacturers, the engine suppliers have also been busy. GE, the US manufacturer, has just announced a deal with the Soviet airline Aeroflot for engines worth $150m.

At a recent conference in Paris on east-west aviation, Dr Garrett FitzGerald – a director of the GPA aircraft leasing group – estimated the market in east and central Europe over the next 10 years at between $12bn and $18bn, depending on the rate of economic growth.

That represents between 300 and 450 aircraft for both established carriers and start-ups such as Asda, the Soviet organisation being set up to rival Aeroflot.

The spate of orders has been unleashed because restrictions on the export of western technology to eastern Europe imposed by CoCom (the committee responsible for monitoring and approving sales of high-technology equipment to the eastern bloc) have been relaxed. It has insisted that all maintenance and engineering work be carried out in the west.

The purchases are motivated by a desire to capture a larger proportion of an expanding market for travel in eastern Europe.

Passenger volume on scheduled traffic between the US and the Soviet Union, Czechoslovakia, Hungary, Poland, Yugoslavia and Romania has increased from 251,000 in 1987 to 469,000 in 1989, according to United Airlines.

Much of that growth consists of up-market business-class passengers. For example, Malev Hungarian Airlines experienced a 25 per cent increase in business travellers in 1989 compared with 1988.

To meet demand, the airlines plan to increase the frequency of flights. At present, business passengers flying from Budapest to Belgrade on a Monday are unable to return directly to Budapest until Thursday.

Vienna airport, the regional hub which serves all eastern European capitals except Tirana, expects to increase aircraft movements by between 10 and 12 per cent this year.

The airlines are acquiring western aircraft because they believe they will be unable to compete effectively if they use Soviet aircraft. The reasons for this include:

● Operating costs. Soviet aircraft are far more expensive to operate then their modern western counterparts. Malev Hungarian Airlines estimates that fuel consumption on Soviet aircraft is at least twice as great as on western ones.

● Reliability. GPA estimates that the vast majority of Soviet aircraft built during the 1960s and 1970s were designed for an operational life of about 20 years, with maximum flight hours of 30,000. There is a chronic shortage of spare parts.

This means that many Soviet aircraft now spend far more time in maintenance sheds than in the air. The utilisation of Soviet aircraft is half that of their western equivalents. In addition, maintenance costs on Soviet airliners can be between three and five times greater.

● Capital costs. The growth of the aircraft leasing industry means that the cost of operating a western aircraft – which is about six time more expensive to buy than its Soviet equivalent – has fallen considerably over the past 10 years.

Malev Hungarian Airlines, which is in the process of reconstructing its fleet and has three Boeing 737s in service with a further three on order, has estimated that it should be able to recoup the additional capital costs of western aircraft within 17 years. This is despite the fact that purchases of Soviet aircraft are financed by barter.

Furthermore, there appears to be no difficulty at present in finding banks and leasing organisations ready to do business with eastern European airlines.

One of the attractions of aircraft in the asset-backed finance business is that they are highly mobile.

The price of second-hand aircraft remains steady at the moment and repossession does not normally pose problems.

● Simple availability of aircraft.

GPA believes that Soviet production levels will not be sufficient to satisfy Aeroflot over the next 10 years, let alone sell to other countries.

● Passenger preference. Soviet aircraft have a poor reputation for safety and comfort.

● Noise. There are moves, promoted by organisations such as the Brussels-based International Civil Airports Association, demanding that stage two aircraft, such as the Boeing 727 and most of the Soviet airliners should be banned from European Community airports before the end of the decade because they are too noisy.

Despite the market potential, eastern European civil aviation faces several constraints.

Apart from Ferihegy airport at Budapest, terminal and passenger facilities require substantial investment.

Investment in hotels is also needed. Airlines in the region will also need to make the painful transition to a service culture.

THE LEX COLUMN

The paper promise of Wiggins Teape

Now that the first details of Wiggins Teape Appleton's balance sheet are public, the shape of a deeply interesting flotation is starting to emerge. The likely opening value is about £1.2bn, just twice the size of Argos. But Argos, for a variety of reasons, is unlikely to be bid for. Early dealings in Wiggins Teape, on the other hand, will be closely scrutinised for signs of stakebuilding, whether from Europe, the US or the Far East.

The attractions to a bidder are obvious. The company is unusual for its industry in being solidly entrenched, with dominant market shares, on both sides of the Atlantic. For any predator oversupplied with pulp in the downswing of the paper cycle, it might perhaps count as a disadvantage that Wiggins Teape has pulp capacity of its own. But even that is at the more desirable end of the market, in Iberian eucalyptus. And in both North America and Scandinavia the big producers, flush with cash from the boom days of the 1980s, are anxiously jostling for position.

Then again, the UK stock market should not get carried away. Supposing Wiggins Teape's net earnings this year are similar to last at around £125m, the £1.2bn figure assumes a multiple of ten. In both Europe and the US, paper company multiples now stand at six or seven. As an integrated producer serving the business user rather than the consumer, Wiggins Teape doubtless deserves a premium to its sector; but on much more than 10 times, the market risks taking bid speculation as an accomplished fact.

UK economy

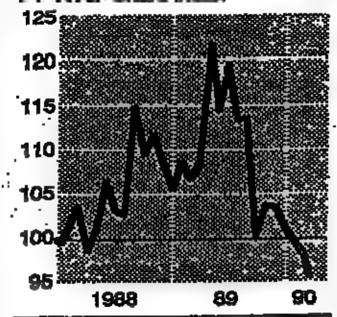
Yesterday's fit of boredom in the markets at the sight of the March UK retail sales figures looks eminently justified. Looking back over the monthly statistics since last June, the pattern has been distinctly patchy: retail sales rose in four months out of the nine, and fell in five. While the 1.4 per cent drop last month was greater than expected, it was hardly large enough to be decisive evidence. For that, the markets must look to the figures for April, when poll tax bills and yearly mortgage payment increases are a reality.

More to the point is the ratchet effect still working on labour costs. Classically, the acceleration in unit wage costs in manufacturing, to 6.8 per cent in the three months to the end of February, would suggest that British industry is almost exactly at the point where it must start shedding labour on a grand scale. The difficulty at this stage is to see that this is actually happening, outside obvious sectors like brickmaking. As for services, where labour costs have risen still more sharply, the food retailers' desperation to hang on to staff hardly indicates a drastic tightening of the labour market.

Hence yesterday's most interesting economic indicator was the power workers' vote for industrial action. If poll tax riots unnerved some investors in gilts and equities, just wait until they have to cope with power cuts.

Trusthouse Forte

Share price relative to the FT-A All-Share Index



THF

It would be wrong to suggest that Trusthouse Forte was out to mislead the market; but the change in its year-end, and the lack of strictly comparable data, has tended to disguise a pretty disappointing second half. In the nine months to last July, pre-interest trading profits were growing at an above average 25 per cent. But in the year to end-January 1990 the growth had slowed to 15 per cent, and the steady improvement in margins had disappeared. Strip out the one third rise in the net surplus on property disposals and a 8.6 per cent rise in pre-tax profits does not look particularly impressive against a 21 per cent sales increase.

THF was late in responding to the suddenness of the slowdown in its UK provincial hotels, which account for around a quarter of total profits. However, it is surprisingly confident that its margins in this business can be rebuilt quickly, and the weakness in sterling is cushioning the London hotels from the full effects of the economic slowdown. The record to date of THF's core hotel businesses suggests that the management's confidence in its ability to withstand the economic slowdown should be taken reasonably seriously, even though it seems more optimistic than some of its competitors. Meanwhile, a 25 per cent discount to net assets should underpin the shares until the good times re-emerge.

UK equities

Last October's sharp drop in the UK equity market may have been painful, but at least it cleared the air and lured buyers back quickly. The trouble this year has been that equities have been drifting downwards slowly. The retreat from above 2400 on the FT-SE to under 2300 took a month and a half. It has taken another couple of months to shed a further 100 points, with the 2200 level now looking distinctly vulnerable for the first time this year.

The bulls would like to see a decisive break below this level before committing funds to the market. They draw comfort from the fact that historic price earnings multiples are a good 40 per cent less than they were when the FT-SE first broke above 2200, three years ago. On the other hand, the economic outlook is grimmer and long bond yields have risen by over 200 points in less than six months, which makes 5 per cent equity yields that much less attractive.

Carlton

The remarkable decline in Carlton Communications' share price continues. One day three weeks ago, when the chairman spoke of "respectable" profits this year, the shares fell 12 per cent. They were down a further 11 per cent by yesterday morning, then fell 8 per cent in the course of the day. Rumour yesterday spoke of profit downgrading, bad news forthcoming in the trade press, a threat to patent rights and a Carlton bid for Thames TV. The first two are seemingly false; the second two, even if true, would scarcely account for the damage.

At yesterday's close of 481p, the shares are on around 8.5 times forecast earnings. On any rational grounds this is cheap; but the market has worked itself into the conviction that something is seriously wrong at Carlton, without having the least idea what it might consist of.

Brussels defeated on corporate tax plan

By Lucy Kellaway in Brussels

THE EUROPEAN Commission yesterday admitted defeat in its 15-year struggle to set a single rate of corporate tax throughout the Community, announcing instead a less ambitious "new approach" to the question.

In the short term this will mean concentrating on five directives, each designed to remove specific areas of discrimination for companies that do business in more than one member state. The Commission is undecided on how much harmonisation of taxes will be needed over the longer term and it plans to ask outside experts for suggestions.

Mrs Christiane Scrivener, the Commissioner responsible, said: "We have withdrawn our 1975 proposal for harmonisation. The new strategy is based on mutual recognition and co-ordination between member states."

The Commission would do all it could to persuade member states to agree on three existing directives at next week's meeting of finance ministers. These measures, which have been stuck in the pipeline for 20 years, cover withholding tax on dividends paid by subsidiaries in one country to a parent in another, taxation on gains accruing from a cross-border merger, and a procedure for settling taxation disputes between member states.

Brussels is also planning two new directives, which should be ready for the Council of Ministers this summer. The first allows companies to offset losses made in one country against profits in another. The second would remove the tax implications of royalty and interest payments between subsidiaries in different states.

Taken together, the five measures would remove the tax obstacles to a single market for companies. Mrs Scrivener stressed the need to get the directives through in time for 1992 and criticised the Council's slowness.

The experts committee, which has been given a year to come up with ideas, will consider to what extent the different tax levels in member states interfere with the single market and affect EC competitiveness.

The three directives have been blocked mainly on a withholding tax dispute between West Germany and the Netherlands.

Hope of hostage release

By Lara Marlowe in Beirut and Lionel Barber in Washington

A LEBANESE group holding three American professors hostage said yesterday it would release one of the captives within 48 hours, but the kidnappers appeared to be demanding concessions from Washington.

In a statement delivered to a Lebanese newspaper and a Western news agency in West Beirut, the Islamic Jihad for the Liberation of Palestine (IJLP) asked Mr John Kelly, the US Assistant Secretary of State for near-eastern affairs and a former US ambassador to Lebanon, to travel to Syria to complete arrangements for the release.

The statement was accompanied by a photograph of Professor Jesse Turner. He was abducted from the campus of Beirut University College with Profs Robert Polhill and Alann Steen by men posing as policemen on January 24, 1987.

The IJLP said it hoped its gesture would be reciprocated by the US. "We are ready for either a positive response or escalation and the other party has to choose," it said.

The US State Department said the US had long called for the unconditional release of American hostages held in Lebanon, but stressed that it regarded the matter as a humanitarian issue.

In view of the Islamic Jihad threat to escalate its actions unless the release is followed by unspecified reciprocal measures, US officials said the Administration would not enter a quid pro quo arrangement for the release of US hostages.

Hopes for the release of the remaining 17 western hostages in Lebanon have risen recently following repeated statements by Iranian leaders that they oppose hostage-taking.

The IJLP said: "In response to the wishes of Islamic leaders and urgent appeals by officials of the Islamic Republic of Iran . . . we have decided to free one American hostage within 48 hours on the basis of reciprocal positive action from the other party."

The release of the photograph of Mr Turner and the demand that Mr Kelly fly to Damascus, Syria, amounts to the most explicit statement in months about the hostages.

US officials said they had no official word from either Damascus or Tehran confirming that the Islamic Jihad statement was genuine.

Mr Turner's mother, Mrs Estelle Ronnenburg, of Boise, Idaho, said she had been contacted by US officials yesterday. "I talked to the State Department and they told me they are checking things out and not to get too worked up."

UK confirms seized steel tubes were part of giant gun for Iraq

By Our Industrial and Political Staff

EIGHT steel tubes detained by UK Customs and Excise officials at Teesport in north-east England were part of a giant gun being developed by Iraq, Mr Nicholas Ridley, Britain's Trade and Industry Secretary, confirmed yesterday.

Mr Ridley said the Government was entirely satisfied that the tubing formed part of a gun "on a scale outside anything previously experienced."

His statement ended a week of speculation about the purpose of the tubing which was seized on April 10.

Mr Ridley said his department had not known of the tubes' intended use until a few days ago.

However, attention is likely to shift to how much the Department of Trade and Industry did know about the suspect contract.

Sir Hal Miller, Conservative MP, told the House of Commons that one of the companies involved raised its concerns about the contract in early 1988.

Mr Ridley said the DTI knew in the summer of 1988 that the Space Research Corporation, the company run by Dr Gerald Bull, the Canadian artillery expert, was involved in the contracts.

Dr Bull was murdered earlier this month outside his Brussels apartment.

Mr Ridley said officials had decided no export licences were required under the Export of Goods Control Order, which limits the export of sensitive technology which could have military applications.

Privately, officials at the department were playing down claims that the DTI had been tipped off in 1988.

Mr Ridley said that recently the Government "became aware in general terms" of an Iraqi project to develop a long-range gun based on designs developed by Dr Gerald Bull.

Astra Holdings, the UK-based firework and ammunition company, yesterday confirmed that its Belgian subsidiary PRB had contracted to supply "unusual" types of propellant for a very large gun and that the destination was "probably" Iraq.

In Baghdad, meanwhile, President Saddam Hussein sought to portray himself as the protector of the Arab world by saying that Iraq would retaliate against an attack on any Arab country by any aggressor, however powerful.

Mr Saddam said in a televised statement: "If we can strike him with a stone we will; with a missile, we will . . . and with all the missiles, bombs and other means at our disposal."

US trade deficit narrows sharply

By Anthony Harris in Washington

THE US trade deficit narrowed sharply in February to $6.49bn seasonally adjusted, the lowest monthly figure since 1986, the Commerce Department announced yesterday.

Main factors in the $2.8bn drop from January were a $1.2bn rise in aircraft exports and a fall of the same magnitude in oil imports.

The decline was substantially larger than market economists had guessed from customs figures, but there was little reaction in financial markets because month-to-month movements in aircraft export shipments are usually erratic.

The longer-term figures suggest that the trade deficit will continue to narrow, as exports are growing a little under twice as fast as imports. In the first two months of the year, exports are up by 11.6 and imports by 6.7 per cent.

This trend reflects the slower growth of the domestic US economy and especially of investment spending. This is shown in the figures for capital goods, the largest category, accounting for nearly 40 per cent of total exports and nearly a quarter of imports.

Exports this year are more than 37 per cent up on the same months in 1989 while imports have risen only 8 per cent, in line with the growth of investment spending.

Imports of cars and consumer goods are virtually unchanged over the past year, thanks partly to rapid growth of US assembly of popular Japanese models. The fall in oil imports reflected price and volume falls and was influenced by abnormal winter weather.

Janet Bush adds from New York: The trade improvement failed to produce any rally in the Treasury bond market. At midsession, the benchmark long bond was quoted more than a full point lower to yield 8.82 per cent, the highest level for nearly a year.

The slump in bond prices came amid rumours of substantial Japanese selling and concerns about an enormous amount of new paper to be absorbed over coming weeks.

It also reflected the fact that the dollar fell after the trade report, largely because it had been bid up in Tokyo on market rumours that the deficit would be only $4bn.

At midsession, the Dow Jones Industrial Average was 19.38 points lower at 2,746.39.

Market reports, Second Section

Lithuania offers talks

Continued from Page 1

against the republic.

A separate parliamentary resolution urged the Soviet Union not to use force of any kind, including economic, against the republic and calls on Lithuanian citizens to "prepare themselves spiritually to endure." The parliament offered to halt legislation until May 1.

Mrs Prunskiene was visiting Norway for four days as the guest of its centre-right political parties in the tripartite coalition government.

Norway is western Europe's second largest oil producer after Britain, with daily crude oil production of just under 2m barrels a day. Statoil, the state oil company, said it would meet Mrs Prunskiene if asked and would consider supplying crude oil in the event of a Soviet blockade.

But it pointed to difficulties in getting oil to the Lithuanian port of Klaipeda where facilities cannot accommodate the huge oil tankers required.

In Paris, Mr Roland Dumas, the French Foreign Minister, said France had called for a European Community initiative on the Lithuanian dispute.

WORLDWIDE WEATHER

		Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	R	11	52	Dallas †	C	11	52	Madeira	C	16	61	Prague	F	13	55
Algiers	F	20	68	Dublin	R	7	45	Madrid	F	14	57	Reykjavik	S	3	37
Amsterdam	C	7	45	Dubrovnik	F	15	59	Majorca	S	16	61	Rhodes	S	19	66
Athens	F	18	64	Edinburgh	F	10	50	Malaga	S	20	68	Rio d'Janeiro	–	–	–
Bahrain	S	27	81	Faro	S	24	75	Malta	F	17	63	Rome	C	14	57
Barcelona	S	19	66	Florence	R	10	50	Manchester	C	9	48	Salzburg	C	8	46
Belfast	R	5	41	Frankfurt	S	11	52	Melbourne	C	17	63	S'Francisco †	Dr	12	54
Belgrade	F	16	61	Geneva	F	8	46	Mexico City	–	–	–	Santiago	–	–	–
Berlin	F	11	52	Gibraltar	F	20	68	Miami †	S	23	73	Seoul	S	17	63
Biarritz	R	10	50	Glasgow	F	7	45	Milan	R	8	46	Singapore	F	32	90
Birmingham	F	10	50	Guernsey	S	9	48	Montreal †	Sn	-3	27	Stockholm	F	9	48
Blackpool	S	9	48	Helsinki	S	13	55	Moscow	S	15	59	Strasbourg	C	10	50
Bombay	S	31	88	Hong Kong	C	18	64	Munich	R	3	37	Sydney	F	21	70
Bordeaux	F	13	55	Innsbruck	R	7	45	Nairobi	F	25	77	Tangier	S	21	70
Boulogne	F	8	46	Inverness	F	7	45	Naples	F	15	59	Tel Aviv	S	25	77
Bristol	F	10	50	Isle of Man	F	7	45	Nassau	–	–	–	Tenerife	S	21	70
Brussels	R	6	43	Istanbul	F	14	57	Newcastle	F	9	48	Tokyo	C	12	54
Buenos Aires	–	–	–	Jersey	F	10	50	New Delhi	S	36	97	Toronto †	F	-1	30
Budapest	C	16	61	Johannesburg	F	18	64	New York †	S	4	39	Tunis	C	17	63
Cairo	S	34	93	Las Palmas	F	20	68	Nice	F	14	57	Valencia	S	17	63
Cape Town	C	17	63	Leeds	S	11	52	Nicosia	F	21	70	Venice	F	15	59
Cardiff	F	9	48	Lisbon	S	17	63	Oporto	S	15	59	Vienna	F	14	57
Chicago †	S	-1	30	Locarno	C	10	50	Oslo	F	5	41	Warsaw	C	14	57
Cologne	F	11	52	London	C	10	50	Paris	C	8	46	Washington †	S	4	39
Copenhagen	S	10	50	Los Angeles †	F	16	61	Peking		-	-	Wellington	C	11	52
Corfu	F	17	63	Luxembourg	R	4	39	Perth	S	26	79	Zurich	F	7	45

C–Cloudy Dr–Drizzle. F–Fair. Fg–Fog. H–Hail. R–Rain. S–Sunny. Sl–Sleet. Sn–Snow. T–Thunder.

† Noon GMT temperatures

Knock sees tourist boom

Continued from Page 1

down the road saying "Be Prepared to Stop" will probably only add to transatlantic travellers' worries about jet lag.

Knock is not, in fact, at Knock. Officially it is not even called Knock, though everyone, including the officials, refer to it as such. The village of Knock – according to Catholic belief the site of an apparition of the Virgin Mary late in the last century – is a good few miles away. The airport's official name, in honour of the late monsignor, is "Horan International." It also occasionally goes by the title "Connaught Regional Airport."

Not everyone is happy about the prospect of transatlantic passengers stopping off at Knock. For many years Shannon airport, in the south-west of Ireland, has been a compulsory stopover point for all transatlantic flights in and out of Ireland.

This has meant that Dublin remains virtually the only western European capital lacking direct air connections with the US.

Passengers on scheduled transatlantic flights will still have to stop over at Shannon. But at least visitors from North America will now have the opportunity of flying direct to Knock, landing on top of a bog and getting lost.

Unions may try to block Soviet transition

Continued from Page 1

ber – brought forward two years because of the political and economic upheavals.

"We must recognise that we are a non-party organisation and that not only among the rank and file but also in the leadership there will be those who belong to different parties."

● Mr Georgi Shakhnazarov, an aide to President Mikhail Gorbachev, said yesterday that a name change for the Communist Party would be raised at the 28th congress in July. He suggested a return to its Leninist title

FINANCIAL TIMES
COMPANIES & MARKETS
Thursday April 19 1990

INSIDE

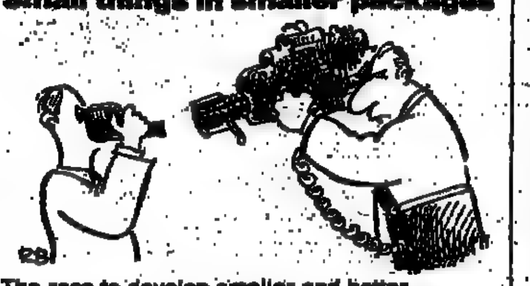
ADT acquires a taste for the world of art

ADT, the vehicle services and security group headed by Michael Ashcroft, now accounts for a hefty 15.1 per cent of the ordinary shares of Christies International, the auction house. ADT denies a takeover bid is in the offing, but analysts believe that, in any case, the group would prefer the role of white knight. A hostile bid could unsettle Christies' staff, on whose relations with art sellers and buyers the group's business hinges. Page 32

Making a pipe dream come true

The idea of sending share prices between Europe's stock exchanges is not new. But the latest attempt to distribute share information, the Pipe, could develop into far more. Two companies are being selected to produce a detailed design for the system, which, one day, could form Europe's biggest stock market. Page 36

Small things in smaller packages

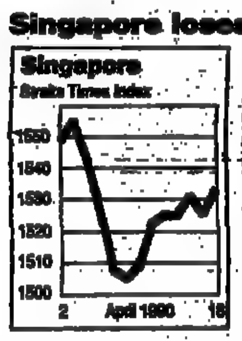


The race to develop smaller and better electronic apparatus sometimes appears futile when competitors are able to reproduce and launch their own version of a product within months. Della Bradshaw looks at the development of Sony's compact TR-55 camcorder and the inevitable competition. Page 37

Picking fruitful markets

In 1988, Cuba exported nearly a million tonnes of citrus fruit — most of it to eastern Europe and the Soviet Union. But at the end of last year, the failure of Soviet and Polish vessels to collect shipments resulted in the diversion of considerable tonnage onto the domestic market. Nevertheless, Cuba forecasts strong demand from traditional customers. Page 38

Singapore loses its sling



The Singapore stock market limped into the second quarter of this year. Against its 200m-share daily volume in early January, when the Singapore and Malaysian bourses split, trading has trickled down to what one analyst terms "pre-Clob days," referring to the computerised trading system which tripled volume when adopted last year. Joyce Quek reports on a strange hiatus in the Singapore market. Back Page

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)				Radiotech	710	+	23.8
Falls				Raffinage	217	+	8.3
Beiersdorf	835	−	15	**Falls**			
Brown Boveri	650	−	20	C.S.E.E.	310.5	−	12.5
Hochtief	1360	−	50	Eurotunnel	53.4	−	2.3
Linde	895	−	18	Pechin Int	168	−	7
Mannesmann	369	−	17.5	**TOKYO (Yen)**			
Viag	425	−	6	**Rises**			
NEW YORK ($)				Ebara	1030	+	90
Rises				Isuzu Motors	870	+	100
Merck	74⅞	+	⅝	Tokyu Car	2080	+	300
Phelps Dodge	62⅛	+	¾	**Falls**			
Tandem Comp	23⅞	+	⅞	Nihonbashi	1390	−	340
Falls				Saitama S Kog	703	−	70
Coca-Cola	79⅝	−	⅝	Towa Sankiden	1610	−	130
Gt Amer Bank	3⅞	−	⅝				
Polaroid	43⅞	−	1⅝				
PARIS (FFr)							
Rises							
Midi Cie	1355	+	42.5				

New York prices as at 12.30pm.

LONDON (Pence)				Carlton Comm	481	−	43
Rises				Comm Union	463	−	11
BICC	426	+	8	Finlan	19	−	13
Hammerson A	761	+	10	Lloyds	261	−	13
Isopad	186	+	11	Micro Focus	568	−	40
Redland	559	+	8	Midland	318	−	7
Runciman (W.)	838	+	95	Nat West	334	−	12
Smiths Inds	231	+	[illegible]	Trusthse Forte	254	−	7
TI Group	454	+	6	Vickers	218	−	5
Wassall	212	+	5				
Falls							
Barclays	550	−	15				

Large-scale job cuts expected at Atlantic

By David Owen

LARGE-SCALE layoffs are expected today at Atlantic Computers of the UK which has been put in the hands of administrators.

The collapse of the world's third-largest computer leasing company comes within two days of the appointment of administrators by British & Commonwealth Holdings, the troubled UK financial services group.

Atlantic currently has about 1,600 employees of whom half are UK-based. Redundancy notices were being drawn up yesterday at the group's Staines premises amid scenes of anger and reports of widespread pilfering by employees fearing the sack.

One senior company director said "They have already decided to fire 80-90 per cent of the people here."

It emerged, meanwhile, that many of the blue chip companies that Atlantic liked to cite as customers were unhappy with the company's policies and had been attempting to negotiate their way out of their contracts.

The fallout has spread too to the UK convertible share market, where the prices of B&C's two convertible loan issues have collapsed. There is also disagreement as to precisely when the full scope of Atlantic's troubles became apparent.

B&C said on Tuesday that the "full enormity" of Atlantic's position only came to light in the past two weeks. "It has become clear within the last few days that Atlantic is not, and regrettably cannot be a company that is worth the more than £400m that B&C originally paid for it," stated Sir Peter Thompson, recently made non-executive chairman.

A senior Atlantic executive claimed, by contrast, that "no new facts have come to light in the last two or three months." He added that "a maximum of £80m-£100m would have made it a fully functioning business. David McCormick (the Atlantic chief executive who B&C says was suspended at the end of March) was beginning to turn it around," he said.

The redundancy notices, signed by Mr John Soden of Price Waterhouse, one of the joint administrators, inform recipients that they are to be made redundant with effect from April 18.

Price Waterhouse said that administrators are currently reviewing the affairs of the companies with the directors concerned, to assess the viability of the businesses.

Governor Michael Dukakis of Massachusetts waves to onlookers after signing into law the toughest anti-takeover legislation in US history. The law, aimed at slowing the hostile takeover of the Norton industrial group by BTR of the UK, requires state companies to stagger the election of board members over three years.

Air France profits fall by 27%

By William Dawkins in Paris

AIR FRANCE, the French national airline, yesterday announced a 27 per cent fall in annual profits. It also argued that a European Commission inquiry into its alleged abuse of a dominant market position was out of place.

Mr Bernard Attali, chairman, maintained that his controversial takeover in January of UTA and Air Inter, two private airlines, merely lifted the state-owned group's share of its home market to the same level as that held by other national carriers in their own.

"Why should Air France be treated in a discriminatory manner and be forbidden from aligning itself with a situation that exists everywhere else in Europe?" he asked in a statement presented to Air France's annual press conference.

The deal lifted Air France's share of traffic leaving the country with French-owned carriers from 78 per cent to 97 per cent, said Mr Attali. That compared with Lufthansa's 99.8 per cent share of West German traffic, while KLM had 97.2 per cent in The Netherlands and British Airways 89 per cent of UK traffic, he said.

If European airlines were prevented from strengthening themselves, they would be competing on unequal terms with big groups such as American Airlines or low-cost Asian carriers, Mr Attali warned.

The integration of UTA and Air Inter was proceeding well, with the first advantages of the merger coming from joint fuel buying, pooled computer systems and a common recruitment of flight staff, he said.

Air France, the world's fourth largest airline, announced yesterday a 27 per cent decline in net consolidated profits to FFr841.3m ($149.6m) last year, on turnover up 11.8 per cent to FFr39.6bn.

The main factor behind the earnings decline was the rise in the dollar. Some 30 per cent of the group's spending is in this currency and its climb boosted the group's fuel bill by 24 per cent.

Net debt payments also leapt, from FFr216.5m in 1988 to FFr804.9m last year, partly reflecting the higher borrowings needed to finance FFr11.8bn of investment in new aircraft. In addition, a strike at the end of 1988 and early last year cost the group an estimated FFr670m.

Air France ordered 28 aircraft last year, by the end of which its fleet stood at 112 aircraft. During the same period, its passenger traffic rose by 6.9 per cent, while freight grew by 4.2 per cent.

Man with the power to light up the east

David Goodhart talks to Friedhelm Gieske, head of RWE, West Germany's biggest energy company

Mr Friedhelm Gieske, chief executive of West Germany's largest energy group, RWE, is arguably the most powerful man in German industry.

The unassuming 61-year-old lawyer sits at the centre of an empire which controls much of the country's electricity supply, coal mining, construction and environmental control industries, as well as significant slices of the chemicals and investment goods sectors.

In his spare time he sits on government committees: he was a member of the Mikat Commission which has just pronounced on the future of coal subsidies, and took over from the murdered Deutsche Bank boss, Mr Alfred Herrhausen, as chairman of the Ruhr Initiative which is breathing new life into the former coal and steel region.

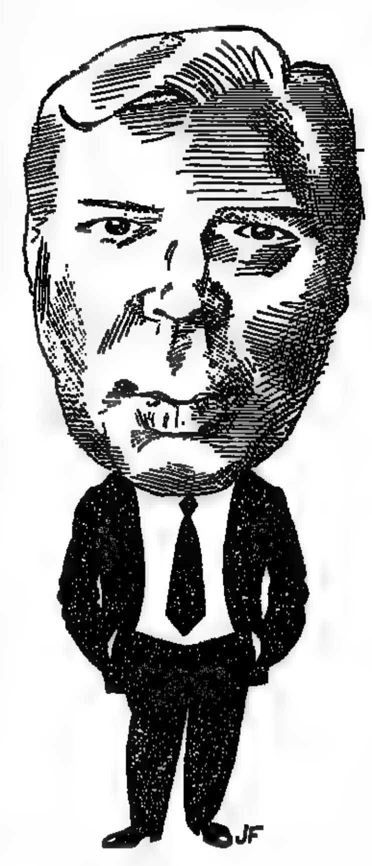
In the past few years, RWE has embarked upon a comprehensive diversification programme and, earlier this year, it instigated a far-reaching corporate reorganisation. Together these moves have helped to double RWE's share price over the past year to about DM470 ($293).

The markets have also been excited about the company's prospects in eastern Europe and especially East Germany. The breadth of RWE's potential business in East Germany is perhaps second only to that of Siemens. "We have everything for East Germany," says Mr Gieske. Potential involvement extends from the petrol station network, in which RWE-DEA already claims a 10 per cent market share, to chemicals, electricity supply, and de-sulphurisation plants. Through Hochtief, the second largest of West Germany's booming construction companies – in which RWE has just raised its stake to 56 per cent – there is further exposure to the building and environmental protection markets.

Mr Gieske, like most other West German businessmen, is reluctant to be too specific about deals in East Germany during the current transitional phase. He denies reports that RWE is seeking a majority stake in East Germany's main electricity supply company.

He also denies rumours that the West German electricity suppliers are planning to annex the East German system and pump in their own power, thus making it possible to close the highly-polluting, brown coal-burning power stations which provide about 80 per cent of East Germany's electricity needs.

But Ruhrgas, in which RWE has a small stake, has just announced a deal to supply East Germany with 2bn cubic metres of gas a year and the West German Oil Industry Association, in which RWE plays a key role, plans a DM10bn investment programme in East Germany.



Freidhelm Gieske: "We have everything for East Germany"

"East Germany needs its own electricity supply system from a mixture of sources, including nuclear, and the unemployment problem would be terrible if you just closed existing plants," says Mr Gieske. He adds that a West German electricity takeover could not, in any case, happen overnight as it takes almost two years to build the transformers needed to adapt the West German current for the East German grid.

His own estimate is that brown coal burning can be cut from the current 300m tonnes a year to about 180m tonnes by the year 2000. About a half of the brown coal stations can be closed quite soon and most of the rest can be equipped with de-sulphurisation equipment.

RWE is already participating in a DM500m pilot de-sulphurisation plant near Leipzig backed also by the Bonn Environment Ministry. Despite some frustration with the continuing legal uncertainty for business in East Germany, he remains confident the country needs only five years to catch up.

He is also adamant that the new interest in East Germany will not distract the company from continued expansion elsewhere. He quotes the example of Hochtief, which has recently been expanding in Spain and the UK, and may soon increase its interest in the UK property group, Rush & Tompkins. RWE has also just invested DM30m in a joint venture with Manchester-based Chloride Silent Power to develop high energy batteries.

Mr Gieske reports that this year RWE will increase sales by at least 12 per cent to more than DM43bn. He says there are no immediate plans to float off any of the five subsidiaries into which the company has been subdivided, or to reduce the potential power of the municipal shareholders which still hold more than 50 per cent of the voting shares.

Despite RWE's growing international presence, the chief executive denies persistent rumours about plans to take over a Spanish utility. He says that competition within Europe will grow, but remains sceptical about a truly open electricity market within the EC.

He believes that security of supply remains the overriding priority in the electricity market and that such a priority justifies the recent Mikat Commission recommendation to maintain the supply of protected domestic coal to industry at 55m tonnes per year, down only slightly from the current 72m tonnes.

But Mr Gieske points out that the Commission also called for a sharp reduction in the annual subsidies – currently DM10bn – that protected coal requires. He says that, as the example of the UK shows, costs can be reduced and loss-making pits closed.

Further pit closures in the Ruhr area will make the Ruhr Initiative even more vital. The initiative has already been a great success, says Mr Gieske, not only in attracting new investment but in changing the "feel" of the once-gloomy region. He points to the fact that Henry Kissinger recently attracted a crowd of 5,000 to a lecture he gave in Essen, in the heart of the Ruhr; an event that would have been unthinkable a few years ago.

"The Ruhr Initiative is comparable with the public-private partnership in Pittsburgh and the most successful of its kind in Europe," says Mr Gieske.

Weavers rescue plan founders as negotiations break down

By Patrick Cockburn in London

EFFORTS to rescue H.S. Weavers, the largest underwriting agent for US liability business in the London insurance market, were close to foundering yesterday.

Weavers stopped underwriting last month when the Department of Trade and Industry (DTI) told the main subsidiary of its parent company, London United Investments, to stop writing new business because of lack of reserves to meet claims.

Yesterday a meeting of some 40 brokers and other interested parties which was called to discuss a possible rescue plan for Weavers and LUI broke up without reaching a conclusion.

The failure of the meeting to produce a rescue plan will reinforce a growing belief in the insurance industry that Weavers is fast losing its remaining credibility among brokers and clients.

An earlier effort to resolve some of the problems facing Weavers collapsed last week when Anglo American Insurance of New York pulled out of a rescue bid.

According to Mr John Head, Anglo American's owner, his company had never obtained the degree of control over Weavers' day-to-day activities which it had expected under its agreement with LUI.

He added that Anglo American was prepared to ensure that there was an orderly run-off of Weavers' past business and that the company's 200 staff would be kept together to process the claims.

Brokers are eager to avoid total liquidation of LUI's business because of damage to the London insurance market, possible litigation from disgruntled clients and difficulty in servicing the old claims.

Mr David Rowland, chairman of Sedgwick Group, the leading UK broker, said yesterday his company had been working closely with Marsh & McLennan, the largest US broker, to find a solution.

Rescue plans have been inhibited by uncertainty about the extent to which LUI's subsidiaries lack sufficient reserves to continue underwriting.

Brokers were given an estimate of the amount needed at yesterday's meeting but would not disclose the exact figure.

Australian life groups to merge

By Bruce Jacques in Sydney

MLC and Capita, two of Australia's largest and oldest life assurance groups, have agreed to merge. The deal will create the country's third largest life office with total assets of about $A10bn (US$7.7bn).

The move again raises the issue of less competition in the Australian financial services sector. ANZ Banking Group's controversial $A3.4bn partial takeover proposal for the National Mutual, has yet to be approved by policyholders and government authorities.

But unlike that deal, which is a corporate takeover, the MLC-Capita link will be more of a true merger. The smaller Capita group, with assets of about $A3.5bn, will be subsumed into the larger MLC group, with assets of about $A6.5bn.

The merger will be achieved by MLC reinsuring all of Capita's policies.

There is no takeover consideration in the deal, but Capita policyholders will be compensated for, in effect, giving up their assets (and liabilities) to MLC through an increased bonus and income scheme.

Mr Vic Martin, MLC chairman, said yesterday Capita's regular premium policyholders were likely to receive bonus rate increases ranging from 15 to 30 per cent over the next two years. They were also expected to earn an extra 1 to 1.5 per cent on their investments.

"On top of this, an additional special bonus interest rate of 1 per cent per annum will apply for two years to all Capita single-premium, capital guaranteed investment account policies," Mr Martin said. "These changes will bring the majority of Capita policy bonuses and earning rates to levels enjoyed by MLC Life policyholders."

Mr Martin said MLC regular premium policyholders would also receive a $A50m special bonus on June 30 this year, on top of normal bonuses. The merger "will create a substantially larger organisation with stronger distribution channels and a more efficient administrative network," he added.

The deal follows market suggestions that Capita's performance has been slipping in recent years. The organisation recently changed chief executives, with the aggressive Mr David Greatorex replaced by the former Westpac Banking Corporation insurance executive, Mr Monty Hilkowitz.

The merger requires the approval of the Insurance and Superannuation Commissioner who has given initial consent subject to finalisation. It also requires approval from the Australian Federal Court.

INTERNATIONAL COMPANIES AND FINANCE

Increase in call volume lifts AT&T and MCI

By Roderick Oram

AMERICAN *Telephone* and Telegraph (AT&T) and MCI Communications, the two leading providers of long-distance telephone services in the US, have reported sharply higher earnings, reflecting growth in the volume of calls.

AT&T's first-quarter net rose 12.5 per cent to $668m or 62 cents a share, from $594m or 55 cents a year earlier. Revenues rose 2.7 per cent to $8.89bn from $8.66bn.

MCI's first-quarter net profits grew 22 per cent to $156m or 62 cents a share, from $128m or 51 cents a year earlier on revenues up 20 per cent to $1.8bn from $1.5bn.

AT&T's long-distance volume rose 7 per cent, with strong growth from international and business calls, particularly from its incoming toll-free 800 service and its outgoing WATS discount operation.

Margins on services continued to expand thanks to increased efficiency in AT&T's network while margins on equipment sales were flat against last year, reflecting competitive pressure.

Sales to domestic phone companies were static but AT&T sold more switching equipment abroad; to Singapore and Poland for example.

Sales were strong in minicomputers and AT&T's new line of personal computers. Computer production at its Arkansas plant was increased.

The company also benefited from a tight rein on expenses which rose only marginally during the quarter. Its operating income rose 21 per cent to $1.18bn from $977m.

Mr Robert Allen, chairman, told the annual meeting in Los Angeles yesterday: "AT&T is moving forward into the decade of the 1990s fleeter of foot, quicker in response to customers and changes in the market place, and more alert to new targets of opportunity for growth."

MCI's operating income rose 25 per cent to $283m. Mr Bert Roberts, president, said: "Traffic volume and revenue growth continued at a rapid pace, which indicates that the market recognises MCI as the high-value provider of the industry."

The company said the quarter was notable for acquisitions. These included the purchase of Telecom USA, the fourth largest long-distance company, and a 25 per cent stake in Infonet, an international provider of data services owned by a group of Asian and European telephone administrations.

Merrill Lynch edges ahead to $41m

By Janet Bush in New York

MERRILL LYNCH, the largest US securities house, yesterday reported net earnings of $41.3m in the first quarter, a rise of slightly more than 11 per cent from the depressed level seen in 1989's opening period.

Earnings per share were 34 cents in the first three months, against 31 cents a share a year earlier. Revenues declined to $2.66bn from $2.80bn.

The 5 per cent fall in revenues reflected difficult conditions in the securities industry and, in particular, lower levels of underwriting and merchant banking activity which have eroded the profitability of many brokerage houses committed to the high-margin business.

The effects of a sharp decline in investment banking business on Merrill Lynch's bottom line was, however, mitigated by a 5 per cent reduction in total costs.

Mr William Schreyer, chairman, and *Mr Daniel Tully*, president, said operating expenses were down in virtually every category and that the restructuring programme was beginning to have an effect.

The company took a $470m pre-tax charge against its fourth-quarter earnings, giving it a net loss in 1989 as a whole of $213.4m or $2.31 a share. The restructuring programme is aimed at reducing annual costs by more than $100m.

Merrill Lynch said yesterday that revenues from commissions, principle transactions, insurance, asset management and custodial fees increased.

Mr Schreyer and Mr Tully also pointed out that, while *investment banking activity* had decelerated, Merrill Lynch retained its leading position in domestic and global underwriting.

Shearson Lehman Hutton, the Wall Street securities house which recently received $1.35bn in fresh capital from American Express, its parent, and which has been undergoing a sweeping restructuring, is expected to announce a first-quarter loss of more than $900m.

Shearson has already announced it will take two charges against first-quarter earnings: one of $630m related to restructuring costs and another of $157m which represents a change in accounting principles.

Earlier this month the group said it would report a net loss of between $897m and $917m.

The final outcome is expected to be at the high end of that range.

Like many other brokerages, Shearson has experienced an erosion of its revenues because of a general slowdown in securities activity, particularly in the investment banking sector.

New products spearhead Merck's growth

By Karen Zagor in New York

MERCK, the New Jersey drug company, yesterday reported a 19 per cent improvement in its opening quarter's profits, to $403.8m from $340.4m.

Earnings per share rose 20 per cent in the three months ended March 31 to $1.03 from 86 cents a year earlier, on sales which grew 12 per cent to $1.76bn from $1.57bn.

Sales would have been 1 per cent higher but for a rise in the dollar exchange rate, which caused lower dollar translation of the company's big overseas sales.

Merck, which paced the industry in introducing new products through the 1980s, said sales growth was led by new products. Revenues were particularly strong for Mevacor, a cholesterol-lowering agent, which the company said held 57 per cent of the US market.

Foreign sales accounted for 45 per cent of total revenues against 49 per cent a year earlier.

Shares in the company, which last year said it would not be able to maintain its earnings growth rate of 25 per cent per quarter indefinitely, rose $½ to $74¼ on the New York Stock Exchange yesterday. The company's stock has traded in a range of $67 to $80 this year.

● Pfizer, another big US drug group, reported a 5 per cent increase in net earnings to $251.9m or $1.50 a share against $240.8m or $1.43 a year earlier.

Revenues grew 3 per cent to $1.48bn from $1.44bn. Excluding the impact of a stronger dollar and the planned sale of Pfizer's pigments business, sales advanced 7 per cent in the quarter.

The company said that improved sales from its healthcare, consumer products and specialty chemicals businesses were offset by a 19 per cent decline in revenue from specialty minerals, attributed to the impending sale of the pigments business.

Sales from Pfizer's animal health business were static, it said.

The company added that revenues were particularly strong from two recently launched products – Procardia XL, the cardiovascular drug, and Diflucan, the antifungal.

Coca-Cola climbs 9% to $283m

By Martin Dickson in New York

STRONG sales growth in Western Europe helped Coca-Cola, the world's largest soft drinks company, to a 9 per cent increase in first-quarter net income.

Coca-Cola, one of the best regarded US companies, with a long record of uninterrupted growth, said net income rose to $283m from $260m in the same period of last year, on revenue 12.4 per cent ahead at $2.1bn.

Earnings per share from continuing operations were up 15 per cent at $0.83, but that was below best market expectations.

However, Mr Roberto Goizueta, chairman, pointed out that the first quarter of last year had been particularly strong, with earnings per share growth of 26 per cent.

Worldwide gallon sales of concentrates and syrups, as well as case sales to retail customers, increased about 7 per cent in the quarter.

The strongest growth came from markets outside the US *which the company has targeted* for expansion.

Gallon sales outside the US advanced 9 per cent and case sales 10 per cent.

Retail case sales rose 14 per cent in the European Community, with a 21 per cent gain in Britain, 16 per cent in Spain and 14 per cent in Germany.

Gallon sales in the EC were up 23 per cent, due primarily to improved distribution in France and inventory accumulation by bottlers.

In the US, case sales to retail *customers grew 3 per cent*, packaged volume by 4 per cent and gallon sales of concentrates 2 per cent.

Strong rise at Philip Morris

By Martin Dickson

PHILIP MORRIS, the US tobacco and food conglomerate, yesterday announced better than expected first-quarter profits, with net earnings rising 31.4 per cent to $775m from $590m in last year's period.

The company's US cigarette *operations increased their* market share, and operating revenues were up on slightly higher cigarette unit volume.

Operating revenues and unit volume were also ahead in international tobacco operations.

Kraft General Foods posted increased operating revenues on slightly higher volumes, while those for Miller Brewing, the beer producer, advanced on higher barrel volume.

For the group as a whole, operating revenues were up 7.3 per cent from $10.6bn to $11.4bn.

Net earnings per share were 31.3 per cent higher at 84 cents, against 64 cents last year.

Lower metal prices hit Inco earnings

INCO, the world's largest nickel producer, said 1990 could still be "a very good year," despite a drop in first-quarter earnings due to lower metal prices, writes **Robert Gibbens in Montreal.**

Mr Donald Phillips, chairman, told the annual meeting in Toronto that "considerable strength" existed in many market segments and nickel supply and demand remained in balance. Spot nickel prices are less than US$4 a pound, about half the 1989 peak. First-quarter deliveries at 123m pounds maintained Inco's about one-*third share of the world* market.

The price decline and lower deliveries of all metals, except cobalt, brought Inco's first-quarter net profit to US$67.7m or 64 cents a share on net sales of $734m, against $276.3m or $2.60 on net sales of $1.1bn.

Mr Phillips said the earnings represented a 20 per cent return on common equity on *an annual basis.*

Nickel's fundamentals were good and "we see increasing demand driven by growth in the use of stainless steel," he added.

Modest start to year for United Technologies

By Roderick Oram in New York

UNITED Technologies has posted modestly higher first-quarter profits, with strong performances from its Pratt & Whitney aircraft engine and Otis elevator subsidiaries more than offsetting weakness in other sectors.

Net profits rose 8.7 per cent to $134.5m or $1.01 a share fully diluted, from $123.7m or 95 cents a year earlier. Revenues rose 6.7 per cent to $4.8bn from $4.5bn. The results met analysts' forecasts.

Mr Robert Daniell, chairman, said: "The corporation's diversity, large after-market businesses and international presence continue to be its greatest strengths, particularly when some segments of the US economy are soft."

The power systems division, incorporating Pratt & Whitney, reported operating income of $251m against $179m, mainly because of higher spare parts sales. Revenues were $1.63bn compared with $1.58bn.

Pratt & Whitney landed $3.1bn of engine orders during the quarter, pushing United Technologies' order backlog to $21.2bn at quarter-end, from $18.2bn a year earlier.

Building systems reported operating income of $92m against $76m, with most of the gain resulting from Otis's growth abroad. Carrier's income fell, reflecting lower demand for heating, air conditioning and ventilation equipment.

Flight systems reported a loss of $11m, against a profit of $12m. Within the sector Sikorsky helicopters and Hamilton Standard aircraft components suffered a downturn in profits.

Income from the industrial segment fell to $16m from $53m, mainly because of lower demand for car and truck components in North America.

Canadian forest group tumbles

MACMILLAN Bloedel, the Canadian forest products company controlled by the Noranda resources group, saw earnings fall sharply in the first quarter, writes Robert Gibbens.

Earnings declined to C$30m (US$25.8m) or 26 cents a share, down 60 per cent from a year earlier on sales which fell to C$781m from C$807m.

The group was hit by the higher Canadian dollar, high interest rates and slower pulp and timber markets.

Buoyant Honeywell to shed defence and maritime operation

By Martin Dickson

HONEYWELL, the US electronics and automation group, is to spin off its defence and maritime business into a separate company. It has also unveiled higher first-quarter net income.

The company, which was repeatedly restructured during the 1980s, said last July it intended to divest the defence and maritime business but did not say how this would be achieved.

It is now saying that while it does not rule out the possibility of selling the operations, which had 1989 sales of $1.14bn and net income of $53.8m, it believes a spin-off offers the best value for shareholders.

Management is due to present a plan to the board in this year's third quarter.

Net income from continuing operations totalled $83.4m or $2.12 a share in the first quarter, against $51m or $1.18 a year ago on sales up from $1.43bn to $1.53bn.

However, the 1990 figures included an after-tax gain of $18.1m or 46 cents from the sale of shares in Yamatake-Honeywell.

Earnings from discontinued operations totalled $6.7m in the quarter, compared with $11.9m last year.

Mr James Renier, chairman, said the figures reflected continued strong market conditions in the industrial systems and commercial flight systems businesses, as well as progress with the company's profits improvement plan.

Operating profits from the homes and buildings division dipped from $51.7m to $47.8m, while the industrial side saw a rise from $30.3m to $46m, with space and aviation up from $32.2m to $44.3m.

Polaroid advances despite falling sales

By Karen Zagor

POLAROID, the US photography group, has reported first-quarter net earnings of $31.8m or 48 cents a share against $25.9m or 29 cents a year earlier.

But the company, which lowered its earnings estimates for the year, saw worldwide sales in the latest quarter fall to $436.2m from $442.3m.

The company, based in Cambridge, Massachusetts, said last year's results were distorted by the cost of fighting off a $2.8bn takeover attempt by Shamrock Partners.

Operating profits for the first three months of 1990 fell to $65.4m from $78.4m. The 1989 figure does not include expenses of $38.5m related to the Shamrock bid.

Mr MacAllister Booth, Polaroid's chief executive, said: "The general worldwide business environment has been slower than expected.

"This, in combination with increased marketing expenses related to our long-term growth strategy, is reflected in our first-quarter results."

Mr Booth said the company had lowered its expectations for the year, although it still expected to show moderate growth in sales and operating profits for the whole of 1990.

Bank of New England to isolate property assets

By Martin Dickson

BANK of New England, which has been savaged by the sharp downturn in its regional property market, has unveiled plans to isolate much of its non-performing real estate assets in a new "collecting bank" which would restructure and rationalise them.

The move forms part of a strategy to improve its weakened capital base and return to profit. Earlier this month the bank said it would be slashing its staff by a third, and it has also been selling off non-core subsidiaries.

Mr Lawrence Fish, the new chairman, confirmed speculation that BNE would try to sell its banking subsidiaries in Maine and Rhode Island over the next six months. Each has about $1bn in assets.

Mr Steven Wheeler, a former co-head of property activities at Morgan Stanley, the large investment bank, will take charge of the new "collecting bank," which may try to sell the assets.

Mr Fish said the assets involved could total $1bn and might be grouped into several categories, such as commercial, hotels, condominiums and residential.

The ultimate aim would be to finance the assets off the bank's balance sheet.

Higher gross margins boost Safeway Stores

SAFEWAY Stores, the Californian supermarket chain taken private by Kohlberg Kravis Roberts in a $4.2bn leveraged buy-out in 1986, improved first-quarter earnings on modestly higher sales, writes Karen Zagor.

The company, which has filed plans for a 10m public share offering at an expected price of $13 to $16 a share, said net income for the quarter improved to $15m from $8m a year earlier. Sales rose 3.4 per cent to $3.34bn.

The company said its operating profits of $111.6m in the latest quarter were 5.6 per cent higher than in 1989, primarily because of continued improvement in gross margins. It attributed this to the addition of more specialty departments in its stores, better buying practices and more effective merchandising.

Lower copper prices slow Phelps Dodge

PHELPS DODGE, the largest copper producer in the US, was hit by lower average copper prices which put pressure on its earnings in the first quarter, Reuter reports.

The group, which also produces truck wheels and rims, saw net income decline to $111.3m from $165.9m a year ago, on revenues down to $642.6m from $743.3m. Per share earnings on a diluted basis were $3.20 compared with $4.52.

The Comex spot copper cathode price averaged $1.12 in the quarter, compared with $1.43 in the corresponding 1989 period. The company's mine production reached a record 132,200 tons of copper for the current period, up from 129,100 tons a year ago.

The latest earnings were also affected by lower sales of wheels and rims for trucks.

Shortfall at joint venture holds back McGraw-Hill

By Janet Bush

MCGRAW-HILL, the US publishing and information services group, suffered a 47 per cent decline in net income in the first quarter, but forecast that profitability would improve during the year.

Net income dropped to $16.5m from $31.2m in the first three months of 1989. Earnings per share fell to 34 cents a share from 64 cents on revenues which rose 7.6 per cent to $420m.

Mr Joseph Dionne, chairman, said he had expected a soft first quarter for several reasons, including a loss at the Macmillan/McGraw-Hill School *Publishing* Company formed last year. McGraw-Hill's share of that loss was $12.8m. Mr Dionne said this was lower than expected and he foresaw the joint venture's results improving in the full year.

Another item eroding profitability in the first quarter was interest on borrowings the company took on last year and early this year to finance acquisitions. Interest payments in the first quarter were, on a pre-tax basis, $8m higher than a year earlier.

● Gannett, the newspapers and media conglomerate, earned net income of $75m in the first quarter, against $74.9m a year earlier.

Earnings per share were unchanged at 47 cents a share. Per share earnings for the first quarter of 1989 included a one-off gain of about 3 cents a share.

Revenues were $813.4m, compared with $817.6m a year earlier.

Gannett's profitability was undermined by what the company said in a letter to employees was "the poorest advertising environment in almost 20 years."

Newspaper advertising revenues declined by 3 per cent in the first quarter.

INTERNATIONAL COMPANIES AND FINANCE

Metsä to veto merger of forestry groups

By Enrique Tessieri in Helsinki

METSA-SERLA, one of Finland's leading forest groups, plans to vote against the merger between Rauma-Repola, an engineering and forest group, and United Paper Mills (UPM), the country's fourth largest forest group.

A UPM board meeting today was supposed to have approved the merger to form Repola. This would have been the country's largest industrial group, with an annual turnover of FM25bn ($6.27bn) and a workforce of 35,000.

The proposed merger was, partly, a defensive response to Metsä's FM2.3bn purchase in January of a 29.3 per cent stake in UPM. Under the UPM by-laws, a shareholder with a 25 per cent stake can obstruct a merger.

As a defensive move Rauma-Repola took up a directed preference issue of UPM shares, raising its stake in the forest group from around 6 per cent to 15 per cent.

Mr Gustaf Serlachius, Metsä chairman, expressed his annoyance over the proposed merger, which would have left Metsä with 31 per cent of the new company. Repola by-laws would have stipulated that only a shareholder with one third ownership could have obstructed a merger.

Peugeot up 16% in spite of losses caused by strike

By William Dawkins in Paris

PEUGEOT, Europe's third largest car maker, yesterday reported a 16.4 per cent rise in 1989 net income on a 10.5 per cent increase in sales and issued fresh calls for protection against Japanese competition.

The group, which makes Peugeot and Citroën cars, unveiled a rise in turnover to FFr153bn ($27.1bn) from FFr138.4bn in 1988, with net profits up from FFr8.8bn to FFr10.3bn over the same period.

Mr Jacques Calvet, chairman, said last year's seven-week wage strike – the worst in Peugeot's history – lost the group 60,000 vehicles, worth FFr3.5bn in sales, at a time when European demand was better than expected.

Mr Calvet urged that the political "bedlam" over the European Community's development created by the changes in the East made it necessary that "we should keep our guard up by maintaining the devices protecting our domestic markets." France is one of the five EC member states with bilateral restrictions on Japanese car imports.

Last year's strike, plus existing production shortages for engines and gearboxes, meant Peugeot failed to hit most of its objectives in 1989, even though total output rose from just over 2m cars and commercial vehicles to a record 2.2m units.

Its share of European registrations fell at the same time from 12.9 per cent to 12.7 per cent, though it has risen again since the year-end. That was well short of the group's own target of 13 per cent, which would have been easily achieved had it not been for the strike, said Mr Calvet.

Productivity rose by 4.7 per cent, well below the 8.2 per cent target, while Peugeot's break-even point fell slightly from 1.15m vehicles per year to 1.12m, a fraction above last year's target of 1.1m units.

Net borrowings fell from FFr5.95bn in 1988 to FFr1.19bn at the end of last year, by which time the group had hoped to eliminate debts entirely, a target it has now passed, so that it now has net cash of FFr2.5bn. Four years ago the group's borrowings stood at FFr30bn.

Industry forecasts ranged from stagnation to a slight decline in registrations for 1990, though Peugeot's sales were still increasing. The group's registrations rose by 0.6 of a percentage point in the first quarter of this year, lifting its European market share back up to 13.3 per cent.

Skandia up 80%, plans to increase dividend

By Robert Taylor in Stockholm

SKANDIA, Sweden's largest insurance company and private property owner, recorded an 80 per cent improvement in its 1989 group operating profits to SKr1.7bn ($278.2m) from SKr925m, and plans to lift its dividend to Skr4 a share from Skr3.

"Skandia group has shown a clearly satisfactory result," said Mr Bjorn Wolrath, chief executive, yesterday. "Despite the very large resources demanded in company purchases and connected reorganisation we have been successful in many markets and can record larger profits and increased capital stock. The foundations have been laid for continuing positive growth during the 1990s."

Only around SKr400m of the group's profits came from its insurance business, with the rest derived from investments. The group's total yield on its capital rose to SKr4.9bn last year from SKr1.8bn in 1988.

Skandia said its insurance business had worsened in Sweden but was going well in most other markets. The international side boosted despite the liabilities related to Hurricane Hugo and the San Francisco earthquake.

Banesto signs agreement with Italian bank

By Peter Bruce in Madrid

BANCO Espanol de Credito (Banesto), one of Spain's major commercial banks, has taken one of its first steps into the European Community with the signing in Milan yesterday of a wide-ranging co-operation agreement with Banco Ambrosiano Veneto, a privately owned Italian commercial bank in which the Fiat group has an important stake.

Banesto said yesterday the two had agreed to exchange information and commercial and investment banking services in both countries.

Pharmacia sees turnround with profits rising 27%

By Robert Taylor

PHARMACIA, the Swedish pharmaceutical and biotechnology group, predicted it would stage a significant recovery this year with a 27 per cent improvement in profits after financial items and a net sales growth of 11 per cent to SKr3.35bn ($545m).

The group, which is controlled by Volvo, the Swedish vehicle manufacturer, made the forecast in the prospectus published yesterday for the American and Canadian stock markets on its planned merger with Procordia, Sweden's state holding company.

The announcement follows a 22 per cent drop in net profits last year, due mainly to restructuring of the group. Pharmacia said its projected results for 1990 took no account of the likely impact of the Procordia-Volvo offer.

However, the company claimed the benefits of its efficiency improvements would become clear this year and modest cost increases would also help to strengthen profitability. It added that sales performance should be particularly strong in Japan and southern Europe.

THF and Repsol plan joint venture

TRUSTHOUSE FORTE, the UK hotel and catering group, plans a joint venture with Repsol, Spain's leading supplier and retailer of petrol, to develop 100 units of Little Chefs and Travelodges in Spain over the next five years, writes Andrew Bolger in London.

THF also announced a 12 per cent increase in pre-tax profits to £260m ($426m) in the year ended January 31.

It blamed the worsening economic climate for a slowdown in the performance of its provincial hotels.

The profits figure included a £36m surplus from property disposals, and £9m from the sale of THF's stake in First Leisure.

Alarm bells sound in Italy's banks

Haig Simonian on political machinations behind top banking jobs

Gianni Zandano: respected figure in Italian banking

Lucio Rondelli: he is due to be replaced shortly

Enrico Braggiotti: keeping his head down for the time being

With just days to go before the annual meetings of some of Italy's biggest banks, there have been signs of unusually keen political interest in the faces likely to sit behind the banks' most senior desks in the years ahead.

Political influence behind bank top appointments in Italy is nothing new, given that much of the financial system is state-owned. Institutions such as Banca Commerciale Italiana (BCI), Credito Italiano and Banco di Roma, the three "banks of national interest" are majority owned by IRI, the state holding company. Istituto Bancario San Paolo di Torino and Monte Dei Paschi di Siena are just two of the six "public law banks."

So strong is the state influence that, in one notorious bout in November 1986 deemed "the night of shame" by one Italian newspaper, politicians bargained for hours over the division of top bank jobs. That episode brought Mr Roberto Mazzotta, a Christian Democrat politician not renowned for his knowledge of financial markets, to the presidency of Cariplo, the country's biggest savings bank.

The appointment was largely due to his status as a close aide of Mr Ciriaco de Mita, the then leader of the Christian Democrats who as the biggest political grouping in Italy traditionally get the lion's share of the jobs.

However, banks such as BCI, Italy's most respected and international financial institution, have usually managed to isolate themselves from the party political horse-trading.

Only once in recent history has an outsider been given a top post at BCI, which normally fills executive slots from within its own ranks. Even then, the circumstances were unusual, as Mr Gaetano Stammati, the Christian Democrat politician appointed president (chairman) of the bank in 1972, was a stop gap and, in the words of one colleague, was "frozen in his office" by other executives who kept day-to-day management very much to themselves.

However, recent weeks have seen strong signs that the Government may again be trying to flex its muscles at some of the big north Italian banks. And, with another batch of top managers up for re-election, the political tentacles may even by trying to stretch as far as BCI this time round.

Board level appointments at the IRI-owned banks officially have a three-year term, after which incumbents are either re-elected, replaced or go into retirement if they reach the statutory age of 65. Chairmen are officially supposed to step down at 70.

The potential for change is even greater given the fact that some incumbents' original mandates have long expired. At San Paolo, a foundation which operates under somewhat different rules from the three IRI banks, Mr Gianni Zandano's four-year term as chairman formally elapsed on May 4 1987. However, Mr Zandano, one of the most respected figures in Italian banking today, is still in his office at the bank's headquarters in Turin's Piazza San Carlo in line with the rule that, if no new name is put forward, the incumbent stays on.

Eyebrows were first raised at BCI and Credito Italiano – where Mr Lucio Rondelli, the managing director, is due to be replaced – when hints started to emerge in Rome that the banks' annual meetings might have to go into a second session. The rules state that the meetings of the three IRI-owned banks must be held within four months of their December year-end – creating an end-April deadline for approving the accounts and dividend, and, when mandates are up, electing a new board.

The suggestion of a postponement, or, more accurately, the need to pass to a "second convocation" – a method normally required only when the first meeting is inquorate – was the signal which triggered the banks and their allies into thinking that political machinations might be afoot.

For on May 6, a key round of local elections is due, which could provide a barometer of the relative fortunes of the parties in Italy's current five-party coalition. If politicians wanted to extend their influence further into the banking sphere, the imminent expiry of a number of top managers' mandates would provide the perfect opportunity. However, no decisions could be taken politically prior to the elections, leading to the hints from Rome that a second set of annual meetings after the elections might be due, setting the alarm bells ringing at the banks.

Calling further meetings would be almost as embarrassing for IRI as for the banks concerned. For the pretext for holding second assemblies on May 22, May 24 and May 26 in the case of Banco di Roma, Credito Italiano and BCI respectively, is slim to say the least.

As the banks' majority shareholder, IRI can hardly suggest the meetings will be inquorate. Instead, vague excuses have been floated along the lines that it might be necessary to study the banks' figures in detail and without undue haste.

While Banco di Roma will be unaffected, as it is the only one of the three IRI banks whose board is not up for re-election, Credito Italiano and BCI have discreetly pulled out all the stops to defend themselves. Even Mr Giovanni Agnelli and Mr Leopoldo Pirelli, who sit on the boards of Credito Italiano and BCI respectively, are believed to have made their disapproval of greater politicisation clear.

Such tactics have had some success. There are now signs that IRI is withdrawing its claws. Last week, Mr Franco Nobili, IRI's new chairman, stated that it was not his intention to call a second round of meetings. However, Mr Nobili was more than a little opaque. For he also spoke cryptically of the need to consider the banks' figures, their professionalism and, more ominously, the necessity to insert "new energies" at the top.

With senior Italian banking figures such as Mr Enrico Braggiotti, the chairman of BCI who is also up for re-election, and Mr Rondelli, still keeping their heads distinctly down for the time being, the risk has clearly not yet passed.

The motives behind the current interest in the top-level jobs lie buried deep in the complex nature of Roman politics and the interest of Italy's Socialist party in particular to get a bigger share of the spoils. But the consensus in Milan is that any further politicisation of the financial system, and notably of institutions such as BCI and Credito Italiano, which also play a symbolic role for Italian finance abroad, is likely to do nothing but harm, especially at a time when the country's banks need to keep all their wits about them to keep pace with their bigger European rivals, let alone ever nourish any hope of overtaking them.

INTERNATIONAL COMPANIES AND FINANCE

Gencor modestly ahead after move to rich ore zones

By Philip Gawith in Johannesburg

A FIRMER gold price and a strategy of cutting ore production rates and concentrating on exploiting richer ore zones saw the 11 main mines managed by the Gencor group of South Africa increase working income by 5 per cent to R205m (US$77m) during the March quarter.

However, Mr Gary Maude, head of the group's gold division, believes a lower gold price and the prospect of increased industrial action will make these results difficult to repeat in the second quarter.

Worst hit by industrial action was Unisel in the Orange Free State which lost six days following an illegal strike by black miners. This caused a backlash among white colleagues who, fearing for their safety, refused to go underground. An unsettled atmosphere persists on the mine. The substantial fall in production which resulted saw unit costs soar and income after taxation was down at R7.8m from R11.9m.

Mr Maude says heightened industrial unrest can be traced back to President F.W. de Klerk's ground-breaking speech on February 2 and the release, nine days later, of Mr Nelson Mandela, the black nationalist leader. Mr Maude expects the problem, which he describes as political action aimed at the state more than at the employer, to continue during the year.

Other problem mines were Stilfontein and Grootvlei. The latter suffered a one-off setback when a fire in one of the shafts led to two weeks lost production. Stilfontein may well be the first closure in the group, which has a policy of seriously considering closure when a mine makes a loss for three consecutive months.

At the current gold price the mine, which seeks to make a profit from mining the low-grade Ventersdorp Contact Reef, is running at a loss. Mr Maude confirmed the mine is in a "very precarious position."

The four mines in the Evander area – Bracken, Kinross, Leslie and Winkelhaak – all performed well. All four showed increased yields and Bracken did well to lift its after-tax income to R2.2m from R460,000 a year ago. Star performer, though, was Winkelhaak where production was boosted by the near completion of the number six shaft. Income after taxation increased to R33.1m from R30.4m on the back of an increase in ore milled and higher yields.

Good results were also achieved at St Helena, Buffelsfontein and Beatrix, all of which achieved yields of 6 grammes per ton or better while holding costs.

Microsoft dispels fear of slowdown

By Louise Kehoe in San Francisco

MICROSOFT, the leading personal computer software publisher, reported an 83 per cent jump in third quarter earnings, reflecting the company's dominant position in the market for personal computer programs and dispelling fears of a slowdown in the personal computer industry.

Revenues for the quarter, which ended March 31, were $310.9m, up 58 per cent over the $197m for the same period of fiscal 1989.

Net income for the quarter was $75.2m, or 62 cents a share, up from $41.1mor 36 cents a share in the corresponding quarter last year.

"Once again, this record quarterly revenue demonstrates continuing strength across virtually all facets of our business," said Mr Jon Shirley, president and chief operating officer. "The international part of our business represented 58 per cent of this quarter's revenue. Sales of Microsoft's popular 'Word' wordprocessing program were particularly strong," said Mr Shirley, who has announced plans to retire this summer.

He is to be replaced by Mr Michael Hallman, formerly head of Boeing Computer Services.

For the nine months ended March 31, Microsoft reported earnings of $199.2m, or $1.69 a share, on sales of $846.5m. That compared with earnings of $125.2m, or $1.12 a share, on revenues of $583.3m a year ago.

Net income per share was restated to reflect a two-for-one stock split, in a 100 per cent stock dividend paid last Friday.

Brierley to launch bid for Telecom Corp of NZ

By Terry Hall in Wellington

BRIERLEY Investments (BIL), the New Zealand investment company, said yesterday it is bidding for the controlling shareholding in Telecom Corporation of New Zealand, which the New Zealand Government is to sell shortly.

The sale has aroused international interest with up to 12 leading telecommunications companies reported to be interested. BIL is believed to be the principal New Zealand contender. There is intense public opposition to the sale with a weekend poll saying more than 90 per cent of voters were opposed.

Yesterday BIL said it was seeking Commerce Commission approval to buy the majority share, and Mr Paul Collins, its chief executive, said this could be bought in partnership with an overseas company. Mr Collins said BIL, with a "war chest" of more than NZ$2bn (US$1.16bn) in liquid assets, had more than enough money to buy Telecom Corp itself, so only a partner which could provide experience and expertise in telecommunications would be sought. "The partner is not fundamental to the exercise," he said.

The deadline for preliminary bids closed last week. From these the Treasury, the government agent for the sale, will identify parties, who can then scrutinise Telecom Corp's accounts before tabling their final offers.

BIL has already been successful in acquiring the main stake in another state asset sale in New Zealand. It is also bidding for a share of Crown forestry assets.

Under the conditions for sale, Brierley could buy 100 per cent of Telecom Corp but would have to sell at least NZ$500m to the New Zealand public. However, it could buy these on the open market later to regain full control.

The sale is expected to raise between NZ$3bn and NZ$4bn.

PanPac share issue oversubscribed

PAN PACIFIC Publications the first company to be listed this year on the Singapore Dealing and Automated Quotation system (Sesdaq), the republic's second-board stock market, was oversubscribed by 19 times, AP-DJ reports.

The company said 23,265 applicants applied for a total of 124m shares bringing in a total of S$74.4m (US$40m).

S Korea companies suffer 5.5% fall in combined exports

By John Ridding in Seoul

SOUTH KOREA'S seven large general trading companies suffered a difficult first quarter, with combined exports falling by 5.5 per cent, largely because of the continued depreciation of the Japanese yen against the dollar.

The downturn reflects a weakening in South Korea's overall export performance so far this year, resulting from currency movements, higher labour costs and weakening demand in its principal markets. In the January-March period, South Korea reported a trade deficit of $1.68bn.

Total merchandise exports of the seven companies during the the first three months amounted to $4.90bn, compared with $5bn in the same period last year. Shipments by the seven companies – Samsung, Daewoo, Lucky Goldstar, Hyundai, Sunkyong, Ssangyong and Hyosung – represented 35 per cent of South Korea's total exports during the period.

The seven companies, which are all part of larger conglomerates, experienced differing fortunes during the period. Lucky Goldstar was the worst affected, with exports falling 26 per cent to $601m. Samsung, the largest of the seven, suffered a 7.6 per cent fall in exports to $1.35bn. Daewoo estimated that its exports fell from $750.53m to $710m and Sunkyong also suffered a downturn.

Hyundai, however, the second largest trading company, increased exports from $1.09bn to to $1.15bn and Ssangyong and Hyosung also improved their performance over last year.

Analysts said that although the South Korean currency had depreciated so far this year, and has fallen by more than 4 per cent against the dollar since the beginning of January, the yen had fallen much faster. Since many South Korean exports compete directly with Japanese goods, particularly in the automobiles and electronics sectors, South Korean goods have suffered a reduction in competitiveness.

However, an improvement is expected from the end of the second quarter as many exporters have postponed shipments because of expectations of further currency depreciation.

Marine Midland dips 85% in first quarter

By John Elliott in Hong Kong

MARINE MIDLAND Banks, the New York-based subsidiary of the Hongkong and Shanghai Banking Corporation now undergoing a radical restructuring, yesterday announced first-quarter net profits of US$6m, which was 85 per cent down on $40.2m in the same period last year.

The figures include provision for loan losses of $80m, up from $54m. They follow a net loss of $120m in the fourth quarter of last year when provision for loan losses was boosted to $263.3m by a $175m special charge.

The parent company said in Hong Kong last night that the downturn in the first quarter reflected the financial impact of a series of restructuring initiatives which included streamlining operations and repositioning the business on its home base of up-state New York.

Reductions in the balance sheet had also taken place, bringing total assets at the end of the quarter down to $25.7bn from $26.8bn a year ago and $27.1bn at the end of last year.

Marine reported that it has sold investments in Society Corporation and First Pennsylvania Corporation, resulting in gains of $20m and $9m respectively.

Another gain of $3.2m came from the sale of Marine's credit card processing business to National Data Corporation.

Sale of a $160m portion of Marine's national education loan portfolio resulted in a gain of $3.9m.

A provision of $31m was made to accommodate costs of staff reductions and closing out-of-state offices.

The Hongkong Bank has extended to the end of 1992 a commitment to maintain Marine's capital and to support a minimum tier 1 capital ratio of 5 per cent under regulatory capital adequacy guidelines. At the end of last month Marine's estimated tier 1 capital adequacy was 4.1 per cent of risk adjusted assets, compared with 3.72 per cent a year ago and 3.77 per cent at the end of last year.

INTERNATIONAL CAPITAL MARKETS

CME votes to widen curbs on dual trading

By Barbara Durr in Chicago

MEMBERS of the Chicago Mercantile Exchange have voted overwhelmingly in favour of a curb on dual trading, the controversial practice in which brokers trade for their own as well as customer accounts.

The proposal, approved by the CME's board last month for membership referendum, would ban dual trading in "mature liquid" contracts, or those that trade an average of 10,000 contracts daily for six months.

Dual trading has come under fire since the Federal Bureau of Investigation probe of futures trading came to light last year. It is believed that dual trading makes abuses harder to detect.

The CME's new rule is now subject to approval by the Commodities Futures Trading Commission. The CFTC has its own proposal to curb the practice. It wants to launch a pilot ban in one pit each of agricultural and financial futures. The CME will urge the CFTC to bless its own measure instead.

The CME is the first futures exchange to widen curbs on dual trading. In 1987, it banned dual trading in its most active contract, the Standard & Poor's 500 stock index futures.

SIB in loss after selling LDC debt

By Victor Mallet, Middle East Correspondent

SAUDI International Bank, which is half owned by the Saudi Arabian Monetary Agency and does substantial business for the Saudi Government, yesterday reported a loss of £11.7m ($19m) for 1989 compared to a profit of £8.1m in 1988.

SIB said the loss was the result of eliminating its exposure to problem debtor countries in Latin America and Africa.

The bank sold its remaining problem country debt to its shareholders at a discount, causing a realised loss of £45m. That was covered from the provisions of previous years and an exceptional £21.6m charge to the 1989 profit and loss account.

SIB had sold most of its problem country loan portfolio in 1987, when it reported a £25m loss.

"For the first time since the early 1980s we have no problem country debt: 1989 was a year in which difficult decisions had to be taken," said Mr Peter de Roos, executive director. "We are well positioned to capitalise on the opportunities of the future."

Net interest income fell to £27.4m from £28.6m, but other operating income, including investment management fees and trading profits, rose to £14.7m from £13m. Operating profit before the exceptional charge was down to £10.6m from £11m. Total assets at the year-end were £2.56bn, compared with £2.55bn a year earlier.

Mr de Roos said that, at 7.1 per cent, the bank's capital to total assets ratio remained strong. SIB still holds provisions of £29m against possible credit losses, representing 4.4 per cent of outstanding loans. The loans make up 24 per cent of total assets.

SIB, Mr de Roos said, was concentrating on generating for its customers direct investment opportunities in the UK, continental Europe and North America, and helping international companies to invest in Saudi Arabia and the Gulf.

Japan securities body to expand client loss fund

THE JAPAN Securities Dealers' Association plans to increase the amount in its fund that covers client losses caused by member bankruptcies to Y30bn ($188m) from the current Y20bn in three years, Reuter reports.

Mr Yoshio Yokota, the association chairman who is also chairman of Yamaichi Securities, said that managing risk would be more important as the expansion of the stock market proceeded.

This change bore no relation to the sharp decline in Tokyo stock prices this year or to the recent performances of Japanese securities firms, he said.

The association had also asked members to stick more strictly to voluntary rules on identification of investors trading large amounts, to prevent transactions under false names, he said.

Transactions under false names could allow speculative groups to place fake orders, an association official explained.

Treasuries slide further despite slimmer trade gap

By Janet Bush in New York and Deborah Hargreaves in London

US TREASURY bonds fell sharply again yesterday morning as renewed dollar weakness overshadowed news of a substantially smaller merchandise trade deficit in February.

Immediately after news that the trade deficit had narrowed to $6.49bn from $9.22bn in January, bonds were little changed after their falls of around a full point on Tuesday. But, as the dollar weakened and there was no sign of demand for Treasuries even at these high yields, confidence collapsed and selling resumed.

At midsession, the benchmark long bond was quoted 1⅛ point lower to yield 8.82 per cent, the highest level in nearly a year.

The dollar's perverse fall after the release of the figures reflected the bidding up of the US currency overnight on rumours in Tokyo that the deficit would come in at $4bn.

The narrowing of the deficit was partly due to a sharp drop in oil imports. Normally, a fall in imports is positive for the bond market because it signals weaker domestic demand. On the other hand, economists estimated that the February trade performance would add around 1.25 per cent to first quarter gross national product growth, which could now be between 2.5 per cent and 2.7 per cent.

The Treasury market is focusing more on inflation than on demand in the economy and is increasingly pessimistic about the outlook for interest rates.

Yesterday, Federal funds traded between 8¼ per cent and 8⅞ per cent, compared with the current assumed US Federal Reserve target of 8¼ per cent.

The firmness in Fed funds yesterday largely reflected rising balances at the Treasury because of tax payments as well as that it was the last day of the two-week statement period.

The Fed announced overnight repurchase agreements to add liquidity to the banking system, as anticipated.

■ IT WAS a grim day for UK gilts yesterday, with key economic figures underscoring the UK's growing inflation problem and pushing bond prices down by almost ½ a point.

Although March retail sales figures and industrial output in February showed slight declines, offering some comfort to the market, gilts were hit by an unexpected increase in unit labour costs. These rose by 6.8 per cent in the three months to the end of February, which was higher than the 6.4 per cent analysts had been predicting.

The release of the UK figures and a later poor performance by US Treasuries drained any optimism from the London market and prices tumbled for the rest of the day.

The benchmark 11¾ per cent 2007 gilt fell ¹⁄₁₆ to 96.05 in light trading as retail players kept out of the market. The UK gilts futures contract fell below its previous low of 79.22 to 79.09 before the day was out.

■ THE GERMAN bond market continued to focus its attention on the implications of German unification as the two Germanys began a round of talks on unity yesterday. However, there was little news to move the market and bunds reacted more to the US trade figures than to domestic developments.

Cash bonds were fixed slightly lower in Germany, but the futures contract in London proved more volatile and rallied to 82.75 on the back of the better US trade figure. However, bund futures drifted back towards the close of trading.

■ A RENEWED sense of optimism has returned to the Japanese bond market and the key 119 bond traded at a yield 5 basis points lower than Tuesday's level at 7.34 per cent.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		10.000	4/93	91-18	-2/32	13.55	13.34	13.41
		10.500	5/99	88-04	-5/32	12.75	12.52	12.37
		9.000	10/08	79-24	-8/32	11.69	11.45	11.27
US TREASURY *		8.500	02/00	98-04	-7/32	8.79	8.58	8.59
		8.500	02/20	97-05	-17/32	8.77	8.54	8.57
JAPAN	No 119	4.800	6/99	86.0711	+0.378	7.34	7.30	7.26
	No 2	5.700	3/07	88.8948	+0.340	7.15	7.24	7.10
GERMANY		7.750	2/00	94.1000	+0.200	8.65	8.62	8.79
FRANCE	BTAN	9.000	02/95	95.8350	-0.071	10.11	10.00	10.60
	OAT	8.500	03/00	92.9300	-0.090	9.63	9.64	10.00
CANADA *		9.750	5/00	87.8500	-0.800	11.85	11.40	10.95
NETHERLANDS		7.750	01/00	92.4300	+0.200	8.93	8.91	9.12
AUSTRALIA		12.000	7/99	92.3768	-0.345	13.45	13.41	13.39

London closing, *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

GOVERNMENT BONDS

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on April 18

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Austria 9⅞ 93	140	100½	101⅛	−0¼	−0⅜	9.31
B.F.C.E. 8⅞ 94	175	†96⅛	96⅝	0	−0⅛	9.41
B.F.C.E. 9⅛ 95	150	99	99⅜	−0⅛	−0⅛	9.40
Brit. Tel. Fin. 9⅞ 98	250	†98⅛	98⅝	0	−1	9.60
Canada 9 96	1000	99¼	99⅝	−0¼	−0⅜	9.13
C.C.C.E 9⅛ 95	300	99¼	99⅝	−0¼	−0⅜	9.40
Cr.Local France 8⅞ 99	250	94⅜	95¼	−0¼	−0⅜	9.56
Credit National 7⅞ 92	100	96½	97	0	−0⅛	9.21
Credit National 9⅞ 92	160	†100⅛	100⅝	−0¼	−0⅛	9.30
Denmark 8¼ 94	150	†95⅛	95⅜	0	−0⅛	9.50
E.E.C. 7 91	100	96½	97⅛	−0⅛	−0⅛	9.19
E.E.C. 10 93	140	†101½	101⅞	−0¼	−0⅛	9.34
E.I.B. 8⅞ 99	150	93¼	93⅜	−0⅛	−1	9.57
Eurofima 10⅛ 93	100	†101⅞	102¼	−0⅛	−0¼	9.30
Elec. De France 9⅛ 99	200	†99⅛	99⅜	−0⅛	−1	9.30
EuroCredit Card Trt 9 95	750	97⅛	97⅜	−0⅛	−0⅜	9.66
Finland 9 96	250	97⅛	98⅛	−0⅛	−0⅛	9.43
Finn.Exp.Cd. 8⅞ 92	200	98⅜	98⅞	0	−0⅛	9.30
Finn. Exp. Cd. 9⅞ 95	200	†99¼	99⅝	−0⅛	−0⅜	9.50
Ford Motor Credit 8 91	250	†98⅝	99⅛	0	−0⅛	0.09
G.E.C.C. 10½ 91	300	101	101⅛	0	−0⅛	0.09
G.M.A.C. 8⅞ 94	500	†96¼	96⅝	0	−0⅜	9.70
G.M.A.C. 9 96	300	96⅜	97¼	−0⅛	−0⅛	9.64
Gen.Mtrs.Corp. 9⅛ 92	200	†99⅛	99⅝	0	−0⅛	9.40
Honda 9⅝ 97	300	98⅝	99⅛	−0⅛	−0⅜	9.85
IBM Credit Corp. 8⅞ 92	400	98½	99⅛	−0¼	−0⅜	9.15
IBM Credit Corp. 8⅞ 91	250	†98⅝	99⅛	−0⅛	−0⅛	9.62
IBM Credit Corp. 9 92	250	99⅝	99⅞	0	−0⅛	9.15
IBM Credit Corp. 9⅛ 92	250	100¼	100⅜	−0⅛	−0⅛	9.16
Italy 8½ 94	1500	96½	97	−0⅛	−0⅜	9.39
Italy 9½ 95	1000	99⅞	100⅛	−0⅛	−0⅜	9.45
Italy 9⅝ 99	1000	100	100⅛	−0⅛	−0⅜	9.57
Itoh C. W/W 4⅝ 94	1000	96	97⅛	+2⅜	+0⅛	5.55
Japan Dev. Bank 10 96	200	†102⅛	102⅝	−0⅜	−0⅛	9.46
KFW Intl. Fin. 9 94	300	98⅞	99	−0⅛	−0⅛	9.37
L.T.C.B.of Japan 8⅞ 96	200	95¼	95⅝	−0⅜	−0⅛	9.74
L.T.C.B.of Japan 9⅛ 92	200	†99	99½	−0⅛	−0⅛	9.55
New Zealand 9 94	850	97⅛	98⅛	−0⅛	−0⅜	9.59
Nippon Tel.&Tel. 8⅞ 96	200	94⅞	95⅛	−0⅛	−0⅛	9.50
Nippon Tel.&Tel. 9⅞ 98	250	98⅝	99⅛	−0⅛	−0½	9.55
Norway 8⅞ 93	500	†98⅝	99⅛	−0⅛	−0⅛	9.20
Oesters Kontbk. 9⅛ 94	350	†99½	100	0	−0⅜	9.49
Sumitomo Corp. W/W 4 95	1500	†102⅞	103⅛	+1	+0⅜	2.92
Sweden 8⅞ 96	200	97	97½	−0½	−0½	9.37
Toyota Mtr.Corp. W/W 4 93	1500	†102	103½	+0½	+0⅛	3.06
Victorian Rep 11⅝ 92	150	103½	104	0	−0⅛	9.51
Union Bk. Switz. 9⅛ 02	225	95⅜	96	−0⅜	−1⅛	9.76
World Bank 8⅞ 99	1500	94⅝	95⅛	−0⅛	−1⅛	8.97
World Bank 9 97	300	†97⅞	98⅜	0	−0⅜	9.35
World Bank 9 93	300	99⅜	99⅞	−0⅛	−0⅜	9.11
World Bank 9⅛ 95	300	†98⅛	98⅝	0	−0⅜	9.52
World Bank 9⅝ 99	500	100⅜	100⅞	−0⅛	−0⅜	9.50

Average price change... On day +0 on week −0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	88⅜	89⅛	−0½	−0⅜	9.04
Austria 6⅛ 99	750	86½	87	+0⅛	−0⅜	8.96
Bk.Frgn.Econ.USSR 7 96	750	†88⅜	89¼	0	−0½	9.44
Bank of Tokyo 5⅛ 93	100	91⅞	92⅜	0	−0⅜	8.98
Commerzbank o/s. 5⅝ 93	300	91½	92	−0⅛	0	8.90
Credit Foncier 6⅞ 99	500	†86¼	86⅞	+0⅛	−0⅛	9.01
E.I.B. 6⅛ 99	600	83⅞	84½	+0⅛	−0⅛	8.90
E.I.B. 6½ 99	300	84⅞	85⅝	+0⅛	−0⅜	8.97
E.I.B. 6⅝ 96	600	90⅜	91	+0⅛	+0⅛	8.70
E.I.B. 6⅞ 95	300	90⅜	91	−0⅛	−0⅛	9.04
E.I.B. 8 2000	500	96⅝	97	+0⅛	+0⅛	8.47
Euro.Coal& Steel 7⅛ 94	100	†96¼	96⅞	+0⅛	+0⅛	8.67
Eurofima 6⅛ 96	100	87⅝	88⅜	+1	+0⅜	8.85
Elec De France 5⅞ 97	300	83⅛	83⅞	+0⅛	+0⅜	8.96
Hydro-Quebec 6⅛ 99	300	85⅞	86⅝	−0⅛	−1½	9.05
Japan Dev. Bk. 5⅝ 95	300	85⅞	86½	+0⅛	+0⅛	8.92
Japan Finance 5⅛ 97	100	83	83⅝	0	+0⅛	9.12
I.A.D.B. 7⅛ 99	300	89⅝	90⅛	0	−0⅛	8.90
Ireland 6½ 97	300	86½	87	0	−0⅜	9.13
Ireland 7⅛ 99	500	88⅝	89¼	0	−0⅛	9.06
Malaysia 6⅛ 94	150	89⅛	89⅞	0	−0⅜	9.37
Nat. West BK. PLC 6 98	300	81⅞	82⅝	−0⅛	−1⅛	9.22
Nippon Telg.&Tel. 6 95	400	87¼	88	−0⅛	0	9.04
Oesters. Kontbk. 5 93	300	90	90⅝	−0⅜	+0⅛	9.05
Portugal 5⅞ 92	150	92⅞	93½	+0⅛	0	9.19
Portugal 6⅝ 95	150	89⅝	90⅜	−0⅛	−0½	9.07
Royal Insurance 5½ 92	300	93⅝	94⅛	0	−0⅜	9.02
Turkey 6½ 95	500	86⅞	87⅝	0	−0⅜	9.81
Union Bk.Finland 5½ 94	200	87⅞	88⅜	0	−0⅜	9.34
World Bank 6 98	500	82	82⅝	+0⅛	−0⅜	9.05
World Bank. 6⅛ 97	600	85⅛	85⅞	0	−0⅛	9.05
World Bank 6⅞ 99	600	86	86⅝	−0⅛	−0½	9.01

Average price change... On day +0 on week −0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev Bk. 5 96	150	†83⅞	84½	0	+0⅛	8.34
Asfinag 5 03	100	†80	81	0	+0¼	7.34
B.F.C.E. 4½ 98	200	†83⅛	84½	+0¼	+0¼	7.13
B.M.W.Fin.Neth. 5 13	150	†72	72¼	+0⅜	0	7.60
Britannia B/S. 4⅛ 94	100	†85½	86	0	−0½	8.46
CIR. Int. W/W 3 93	125	†84	84¼	0	0	8.81
Credit Lyonnais 4⅞ 00	100	†78	79⅛	−0⅜	+0½	7.89
E.I.B 4⅝ 98	150	†81½	82	0	−0½	7.71
Finn. Exp. Cd. 8⅛ 92	75	†96⅞	97	−0⅛	−1	9.69
Fletcher Chall. 4⅞ 98	150	†75½	75⅞	−0⅛	0	9.34
I.A.D.B. 6 2004	200	†85⅛	86	−0⅜	−2⅛	7.68
Kobe City 4⅝ 98	150	†82	82½	0	−0⅛	7.60
Leeds Perm. B/S. 4⅛ 93	200	†87½	87⅞	0	−0⅛	9.03
Malaysia 5⅛ 98	100	—	—	—	—	—
Maxwell Comm.Crp. 5 95	150	†80⅞	81	−0⅝	−0½	9.90
Nat.Bk. Hungary 5½ 94	75	†83⅞	84	+0⅜	+0⅜	9.97
Nationwide Ang.B/S. 4 93	200	†86½	87½	0	−0⅛	8.88
Prov. Newfoundland 5 03	150	†79	80½	−0½	0	7.40
Thailand 4⅝ 95	200	†85	85¼	−1⅜	−0⅜	8.23
World Bank 5 03	150	†81½	81⅞	−0⅜	−0⅜	7.18

Average price change... On day −0⅛ on week −0½

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 6⅛ 91	80	98⅞	99⅛	+0⅛	+0⅛	0.07
Canada 5⅝ 93	80	95	95⅛	0	−0⅛	7.34
Cr.Local France 6⅛ 94	300	94⅞	95⅛	0	−0⅛	6.70
Denmark 6⅛ 95	300	94⅞	95	−0⅛	−0⅛	6.71
E.I.B. 4⅞ 93	30	93⅛	93⅞	−0⅛	−0⅜	7.36
Norway 5⅛ 95	50	91	91⅛	+0⅛	0	7.32
Sweden 4⅝ 93	50	92⅛	92⅝	−0⅛	−0⅛	7.44
World Bank 5⅛ 98	10	86⅛	86⅜	−0⅛	−0⅛	7.44
World Bank 7 94	20	98⅛	99⅛	0	0	7.33

Average price change... On day 0 on week −0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. 10⅛ 94 C$	150	88½	89	−0⅛	0	13.81
Abbey Nat. 11⅝ 93 £	100	92½	93	0	−0⅜	14.92
Aegon 7⅛ 92 FL	100	97⅞	98⅜	+0⅛	+0⅛	8.06
Alg. Bk. Ned. 5⅛ 93 FL	200	91⅛	91⅝	0	0	9.26
Austria 7½ 94 ECU	100	89⅞	90⅛	0	+0⅛	10.74
Barclays Aus.13½ 91 A$	100	98	98⅜	0	0	14.81
Bell Canada 10⅞ 04 C$	200	†88⅛	88⅞	+0½	+0⅛	12.60
BP Capital 9⅛ 93 £	100	88⅛	88⅝	+0⅛	−0⅜	14.79
British Airways 10 98 £	100	81⅛	81½	0	−0⅜	14.04
Brit. Telecom 9⅞ 93 £	150	†88⅛	88⅞	−0⅛	0	14.56
Comm.Bk.Aust. 12⅝ 93A$	100	†95⅛	95⅝	+0⅜	+0⅛	14.49
Comm.Bk.Aus.13⅛ 94 NZ$	60	101⅛	102	+0⅛	−0⅛	13.17
Credit Foncier 9 96 Ecu	100	91⅞	92⅜	−0⅛	−0⅛	10.78
CreditFoncier 9⅞ 99Ecu	150	92	92½	—	—	10.63
CrLocalFran.10⅛ 95 Ecu	225	98⅞	99⅛	0	+0⅛	10.50
Deut.Bk.Aus. 13⅛ 93 A$	125	†98	98½	+0⅛	+0⅛	13.95
Deutsche Bk.Fin. 15 94 A$	100	102⅛	102⅝	−0⅛	−0⅛	14.13
Elec.De France 9⅛ 99C$	150	†84⅜	84⅞	+0⅜	+0½	12.61
E.I.B. 7 96 LFr	100	†90⅛	91⅛	—	—	9.12
E.I.B. 7⅛ 99 FL	150	88⅛	88⅝	0	+0⅛	8.98
E.I.B. 9 99 Ecu	150	90⅞	91⅛	−0⅛	+0⅛	10.60
E.I.B. 10 97 Ecu	800	96⅜	97⅛	0	+0⅛	10.62
Eurofima 7⅝ 94 Ecu	100	90½	91	−0⅛	0	10.71
Fed.Bus.Dv.Bk.9⅞ 92 C$	75	†93⅛	93⅞	0	+0⅛	13.34
Ford Cr.Can.10⅛ 93 C$	100	†93⅞	94⅜	0	−0⅛	13.34
Ford Cred.Can.10⅞ 96C$	125	89⅞	90⅛	−0⅛	+0⅛	13.42
Ford Cred.Fund.10⅞ 93£	60	89	89⅜	0	−0⅛	14.82
G.M.A.C.Canada 11 3/4 94C$	100	94⅛	94⅞	−0⅜	+0⅛	13.57
Heineken 7⅝ 94 FL	150	95½	96	0	+0⅛	8.13
Hydro-Quebec 11 99 C$	400	†90½	90⅞	−0⅛	+0⅝	12.82
Lloyds Bank 10⅛ 98 £	150	81⅛	82	0	−0⅜	14.23
Lloyds Bank 11⅞ 98 £	100	†87	87⅛	+0⅛	−0⅛	13.94
Nat. Aus. Bk. 14⅛ 94A$	100	99⅞	100⅛	−0⅛	−0⅜	14.70
New Zealand 9½ 93 £	100	87⅜	87⅞	+0⅛	−0½	14.85
O.E.K.B. 10⅛ 99 C$	150	86½	87	−0⅛	−0⅛	12.74
Royal Bk.Scot.10⅝ 98 £	125	83⅛	83⅞	0	−0⅛	14.24
Saskatchewan 10⅛ 93 C$	200	91⅛	91⅝	−0⅛	−0⅛	13.39
State Bk.NSW. 13⅞ 93A$	100	97⅞	98⅜	0	0	14.54
Sweden 7½ 93 Ecu	250	91⅛	91½	−0⅛	+0⅛	10.53
Sweden 15 94 A$	100	102	102⅛	0	−0⅛	14.23
Toyota Mtr.Cr.10⅞ 94C$	150	†90⅛	90⅞	+0⅜	+0⅜	13.21
Toyota Mtr.Cr.11⅞ 92C$	150	96½	97⅛	−0⅛	−0⅛	13.20
World Bank 7⅛ 99 FL	300	88⅛	88⅝	0	+0⅛	9.02
World Bank 9½ 95 Ecu	100	95⅜	95⅞	0	+0⅛	10.70
World Bank 10⅞ 94 £	200	†89⅜	89⅞	0	−0⅜	14.24
World Bank 13⅞ 92 A$	100	98⅜	98⅞	−0⅛	−0⅛	14.10
World Bank 14⅛ 94 A$	75	99⅛	99⅝	0	−0⅛	14.34
Zentrspk. 13⅛ 93 A$	75	†98½	99	0	−0⅛	13.65

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic.Bid 94 £	.08	99.87	99.92	24/04	15.33
Bank of Greece 99 US$	†0¼	98.37	98.62	8/09	8¼
Belgium 91 US$	0	99.94	100.04	21/08	8.32
Chelt. & Gloucester 94 £	.063	99.75	99.80	31/05	15¼
Credit Foncier 98 US$	.063	99.59	99.69	20/04	8.31
Dresdner Finance 99 DM	†.031	100.18	100.28	28/04	6.97
EEC 3 92 DM	†0	100.45	100.55	21/08	9
Halifax BS 94 £	.1	100.01	100.06	9/05	15.22
Invt. In Industry 94 £	0⅛	99.93	100.03	17/04	15½
Leeds Perm. B/S. 94 £	0⅛	100.07	100.12	17/04	15.37
Milk Mkt.Brd 5 93 £	0⅛	99.89	99.94	29/06	15.31
New Zealand 5 97 £	.07	99.95	100.05	22/05	15.06
Northern Rock 92 £	0½	99.81	99.86	30/04	15.18
State Bk. Nsw. 98 US$	.188	99.58	99.83	14/08	8.56
Woolwich Equit.BS. 93 £	0⅛	100.02	100.07	17/04	15.37
Woolwich 5 95 £	0⅛	99.95	100.01	22/05	15¼

Average price change... On day +0.00 on week +0.00

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
Alcoa 6⅛ 02 US$	8/87	62.	109⅜	110⅛	−0⅜	5.21
Amer. Brands 5⅜ 05 US$	4/90	79.	100	100⅛	+0⅛	18.80
Asda 4⅛ 02 £	3/87	1.64	101½	102½	+0⅛	65.62
Bank of Tokyo 3⅞ 04 US$	3/89	1772.	65½	66½	+1	11.97
CBS. Inc. 5 02 US$	4/87	200.	97¼	98¼	+0⅛	8.31
Dai-Ichi Kan. 3⅞ 04 US$	7/89	3486.	68	69	+2⅛	22.46
Daiwa Bank 3⅛ 95 US$	2/90	1626.	87⅛	88⅛	+2⅜	7.45
Primerica 5½ 02 US$	4/87	66.75	72⅝	73⅝	+0⅜	57.45
Eng.China Clay 6½ 03 £	9/88	4.8	81	82	+1⅛	5.73
Fujitsu 3 99 US$	5/84	1106.	183⅜	184⅜	+3⅛	1.17
Ladbroke Grp. 5⅛ 04 £	†6/89	3.55	96½	97½	0	19.57
Land Secs. 6⅛ 02 £	6/87	6.72	81⅛	82⅛	+0⅛	11.66
Minolta Camera 2⅛ 94DM	2/86	1004.	94⅞	95⅞	0	20.70
MCA Inc 5½ 02 US$	9/87	69.62	91½	92½	−0½	19.17
Mitsubishi Bk. 3½ 04US$	5/89	3266.	69⅛	70⅛	+1⅛	19.37
Next Plc 5⅜ 03 £	11/87	4.3	97	98	+0⅛	482.29
[illegible]	7/89	28.	102⅛	103⅛	0	22.43
Omron Tateisi 2⅞ 02 US$	*4/87	1310.	226½	228½	0	13.01
Ranks Hovis 4⅛ 03 £	†1/88	3.5	109	111	−0⅛	0.52
Redland 7⅛ 02 £	†1/87	5.4	100	101	+0⅛	−1.51
Saatchi&Stchi 6⅛ 03 £	†10/89	6.41	65	66	0	144.79
Sanwa Bank 1⅛ 02 US$	10/87	2707.	71	73	+1⅛	3.44
Sumitomo Bank 3⅛ 04 US$	2/89	3897.	64	65	+0⅜	30.14
Texas Inst. 2⅞ 02 US$	9/87	82.07	75½	76½	−0⅛	67.38
Utd.N'papers 8 04 £	†10/89	8.77	133	134	+1	240.15
W.R. Grace 6⅛ 02 US$	9/87	42.12	86½	87½	+0⅛	28.01

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL CAPITAL MARKETS

Loans for Del Monte buy-out set in D-Marks

By Stephen Fidler, Euromarkets Correspondent

BANKERS structuring the $375m buy-out of the European tinned fruit business of Del Monte of the US chose to raise loans mainly in D-Marks rather than sterling, because of high UK interest rates.

The financing, which includes funds for working capital, comprises the equivalent of $212.6m in senior loans, $80m in mezzanine debt and $136m in equity.

The mezzanine debt is denominated in D-Marks and placed with PIC Capital Group, the European subsidiary of Prudential Insurance Company of America. The mezzanine, which is regarded as a long-term investment by Prudential, will allow the company to choose between fixed and floating interest rates.

The senior debt will be primarily denominated in D-Marks and French francs, with some sterling mainly for working capital requirements in the UK. The seven-year financing, comprising term loans for the acquisition and initial working capital, and a revolving credit for additional working capital, will carry an interest margin of 1¼ percentage points over interbank rates.

Mr Ian Beith, managing director in charge of debt services at Charterhouse, which arranged the buy-out, said the aim of the financing was to balance the company's debt with its income, but also to minimise costs. Sixty per cent of its sales are in the UK and Italy and the rest evenly spread about Europe.

The choice of the D-Mark, apart from its link to most European currencies through the European Monetary System, was based on lower German medium-term interest rates, which are some 4-5 percentage points below their sterling equivalents.

Senior debt accounts for less than 50 per cent of the total financing, a relatively low proportion. Mr Beith said higher proportions of debt would have been inappropriate for a company which intended to enlarge its business and for which no disposals were currently planned. Problems with US and UK leveraged buy-outs last year have also made many banks cautious about financings heavily loaded with debt, he noted.

Mr Mark Brunault, vice-president for corporate finance at PIC, said this was his company's first commitment to the mezzanine market in Europe for some time. He declined to detail the terms on the mezzanine except to say that its final maturity was in the next century.

The group is also a direct investor in a $10m portion of equity, and indirectly through two of the three Charterhouse funds, which underwrote the sterling-denominated equity segment of the transaction.

The senior debt is likely to be syndicated over the next month or so to a wider group of banks.

The underwriters of the senior debt are National Westminster Bank, Nippon Credit Bank, Charterhouse, Allied Irish, Bank of America, 3i and Union Bank of Switzerland. Long Term Credit Bank of Japan has taken a sub-underwriting position.

Pipe brings dream of Euro-bourse closer to reality

Richard Waters on the European markets' latest attempt to form a collective price information system

Detailed design work is about to begin on an international share price information system which could develop into Europe's biggest stock market.

By the end of next week, four people representing the European Community's national stock markets are due to have selected two companies to produce a detailed design for the system, known as the Pipe.

The first phase of the project, expected to be built soon afterwards, will involve collecting electronic share price information from each national market, feeding it through a central hub, and pumping it out again through an electronic "feed" to whoever is prepared to pay for the service.

However, what happens after this is what makes the project interesting.

The second phase of Pipe will enable users to request information through the system, rather than being only passive recipients, and the third step will be a full-blown trading system for Europe's leading stocks.

As yet, the national exchanges have agreed only to the first step – and even then, only in principle. The decision was taken last autumn in London and is expected to be ratified at a meeting of the exchanges in Copenhagen in the middle of next month.

The idea of sending share prices between exchanges is not new. Five years ago a similar plan, the Inter-Bourse Data Information System, was hatched with the idea of swapping information between exchanges. It never caught on, in part because few stock markets carried prices electronically, and partly because it was cumbersome, effectively involving a web of bilateral agreements between national markets.

The Pipe, say its supporters, stands a better chance of success. The raw information exists in electronic form. Technologically, it is relatively easy to route this through a central hub, involving a single minicomputer. And, most importantly, there is sufficient demand from large investors and intermediaries to get it off the ground.

Three companies are in the running to build the system, whittled down from an original six. At an earlier stage several exchanges pitched for the work of building the Pipe, including those in London, Paris, Frankfurt and Stockholm, but were ruled out over fears that it would be difficult to deal with a contractor that was also a major shareholder.

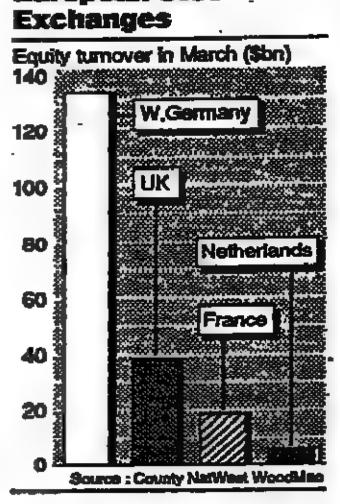
Two companies will be selected to produce a detailed design. When (and if) it is built, this process will begin by distributing information from four countries – the UK, West Germany, France and the Netherlands. Others will be added later, including exchanges from outside the European Community such as those in Switzerland and Scandinavia. The share prices of Japanese and US companies will also be carried.

Only the largest stocks will be carried, although the cut-off point has yet to be decided. There are expected to be somewhere between 500 and 800 stocks from the first four markets on the system.

Prices from SEAQ International, London's international share service, will also be transmitted. This could sharpen competition between SEAQI and local exchanges as the different market prices rub shoulders on the same electronic service.

European Stock Exchanges

Equity turnover in March ($bn)



Source : County NatWest WoodMac

The Pipe will provide more than a routing mechanism for share prices. Add-on services are likely to include a new "Euro-index" of the continent's largest companies, and the pre-formatting of information for display on users' screens.

Once developed, the Pipe could be expanded to provide a more ambitious pan-European equity trading system. According to Mr Peter Bennett, one of the four people on the selection panel for the Pipe project, the computer platform provided by phase one could be extended easily to take in this broader role.

Politics rather than technology is holding back the project. The views of the European exchanges diverge on what model a trading system should follow.

The clearest indication of this disagreement came in Frankfurt at the end of last month, when Mr Andrew Hugh Smith, chairman of London's International Stock Exchange, dismissed the French proposal for the market and instead proposed a joint development between the UK and West Germany, if necessary independent of other European exchanges in its early stages.

These differences will be top of the agenda at the Copenhagen meeting.

Equity market intermediaries, meanwhile, are nervous about an expensive development for which they can see little immediate demand. Most agree that some development is desirable in the long term. A pan-European market would act as a greater magnet to capital from the US and Japan than the current fragmented local markets, to the benefit of Europe's exchanges and intermediaries alike.

They are also concerned about the potential costs. One London-based house which has expanded in continental Europe says: "We're ambivalent about the whole idea.

"We're already in the local markets, and believe that the majority of business done in each market will continue to be done by locals for some time to come. In general, we're nervous about massive spending on these sorts of developments."

Another says more bluntly: "We're not supportive of this direction at all. SEAQ International is doing well and should be expanded."

Launch of $1bn LBO-loan backed issue sparks trading revival

By Andrew Freeman

THE EUROBOND market spluttered back into life yesterday afternoon after a torpid morning, fired by the official launch of a much-vaunted $1bn asset-backed issue brought by Nomura International.

The eight-year floating rate deal is backed by leveraged buy-out loans originating in the US. Known as Restructured Obligations backed by Senior Assets (Rosa), it was launched in three tranches.

INTERNATIONAL BONDS

A $300m tranche backed by senior secured LBO loans carries a margin of 30 basis points over three-month London interbank offered rate, while a $500m subordinated tranche offers 75 basis points over Libor. The other $200m is not being offered publicly.

It marks the first time the senior/subordinated structure has been used for an LBO-backed Eurobond and the senior tranche of the issue was quickly assigned a prospective triple-A credit rating by Moody's Investors Service, the international rating agency.

Moody's said the rating was based on the ability of the structure to withstand very high default rates while making all required payments to the senior classes. A deal last year by Banque Nationale de Paris used third-party credit enhancement to achieve a similar top rating.

The Rosa deal had a cautiously neutral reception, mainly because many leading Eurobond houses had been working on placement for several weeks, following extensive marketing by Nomura.

Several syndicate officials said the Rosa structure was well designed, but that investors' experience with the BNP deal, which struggled after launch, had made it difficult to place the new paper in Europe.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
ROSA 1(a)†◆	300	30bp	100	1998	25/20bp	Nomura Int.
ROSA 2(b)‡◆	500	75bp	100	1998	50/40bp	Nomura Int.
LTCB Finance(c)◆	125	(c)	102	2000	2/1⅛	LTCB Int.
Caisse Autonome Refin.(d)‡◆	100	-14½bp	100	1995	10/5bp	Credit Lyonnais
LIRE						
World Bank(e)◆	400bn	12⅛	101.30	1995	1⅞/1⅛	Ban.Nazionale del Lavoro
D-MARKS						
Crediop(f)‡◆	350	(f)	100.20	1994	14/7bp	CSFB-Effectenbank
STERLING						
Britannia B.Society(g)‡◆	100	10bp	100	1994	4bp	Hambros Bank
SWISS FRANCS						
Renault Acceptance(e)★★◆	75	7¾	101¼	1995	1⅞	UBS
Oest. Laenderbank(h)#◆	100	5¼	100	2000	n/a	Handelsbank NatWest
CANADIAN DOLLARS						
ASLK-CGER IFICO(e)◆	50	14⅛	101.85	1992	1⅞/⅝	Mitsubishi Finance Int.

★★Private placement. ‡Floating rate notes. #With equity warrants. ◆Final terms. a) Coupon pays 30bp over 3-month Libor. b) Coupon pays 75bp over 3-month Libor. c) Step-down coupon 10½% until May 1992, thereafter 10%. One call May 1992 at par. d) Coupon pays 14½bp under 6-month Libor. Non-callable. e) Non-callable. f) Coupon pays 6-month Libor flat. Call May 1992 at 100 and on coupon dates thereafter. g) Coupon pays 10bp over 3-month Libor. Put option May 1992 at 100. h) Exercise price changed to Sch640 from 687. 61 participation certificates per SFr5000 (was 57).

There was talk that good Japanese demand for the subordinated tranche had largely been filled by Nomura itself.

They also noted some investor concerns about the possibility that the securities might be subject to US withholding tax, although Nomura said the deal was designed with a large residual to avoid this.

Nomura brought Rosa as a fixed-price reoffering, and is likely to keep it in syndication for several days. Details of the syndicate should be released today. No grey market prices were made yesterday.

Elsewhere, the World Bank successfully issued the largest fixed-rate lire Eurobond, a L400bn five-year deal with a 12⅛ per cent coupon. Banca Nazionale del Lavoro, the bookrunner, was quoting the bonds on fees at less 1⅞ bid, and said that about one-third of the issue had been bought by non-Italian investors. The issue proceeds were swapped.

In Switzerland, Union Bank was the lead manager of a SFr75m debut issue for Renault Acceptance, which met a steady reception despite some institutional reservations about the guarantee structure. The five-year bonds carried a 7¾ per cent coupon and were trading at less 1⅞ bid, around fees to co-managers.

Several floating-rate notes were issued yesterday. In Germany, CSFB-Effectenbank was the lead manager of a DM350m FRN issued to fund a loan to Crediop, the Italian financial institution. The proceeds were swapped into US dollars. CSFB was quoting the notes at 100 bid, a discount equivalent to co-managers' and listing fees.

Shearson forms equity arm

By Janet Bush in New York

SHEARSON Lehman Hutton, the Wall Street securities house which has been undergoing a searching strategic review in the wake of its $1.35bn recapitalisation by parent American Express in February, yesterday announced a new worldwide equity division.

The division will be headed jointly by Mr Peter DaPuzzo, who will continue with his current responsibilities as director of Shearson's over-the-counter and retail equity trading departments, and Mr Jack Rivkin, currently director of equity research.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

	EQUITY GROUPS & SUB-SECTIONS Figures in parentheses show number of stocks per section	Wednesday April 18 1990 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1990 to date	Tue Apr 17 Index No.	Thu Apr 12 Index No.	Wed Apr 11 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (200)	844.98	+0.1	13.99	5.35	8.69	10.96	844.45	845.08	840.97	941.00
2	Building Materials (27)	1030.82	+0.7	15.48	5.67	8.03	5.50	1023.41	1025.33	1023.70	1182.77
3	Contracting, Construction (37)	1360.71	+0.4	18.49	6.07	7.06	16.02	1355.54	1354.67	1350.55	1702.86
4	Electricals (10)	2402.84	+0.8	12.21	5.58	10.12	39.14	2384.61	2377.51	2379.40	2740.32
5	Electronics (29)	1769.93	-0.3	10.19	4.19	12.72	17.31	1775.30	1781.34	1768.93	2120.62
6	Engineering-Aerospace (8)	440.25	+0.3	15.29	5.28	8.05	7.69	438.72	441.14	437.26	0.00
7	Engineering-General (43)	463.92	-0.3	12.23	5.38	9.88	7.42	465.40	464.61	462.67	0.00
8	Metals and Metal Forming (6)	481.16	-0.2	24.46	6.48	4.61	0.53	482.09	481.56	481.72	541.74
9	Motors (16)	345.45	+0.1	16.06	6.52	7.27	8.43	345.15	344.98	344.00	311.67
10	Other Industrial Materials (24)	1557.99	-0.2	11.89	5.11	9.74	28.02	1561.76	1561.33	1548.45	1579.03
21	CONSUMER GROUP (177)	1201.18	-0.3	9.93	4.09	12.56	9.21	1204.55	1208.47	1204.23	1189.05
22	Brewers and Distillers (21)	1395.32	+0.1	10.39	3.95	11.88	12.53	1394.16	1402.22	1394.57	1297.60
25	Food Manufacturing (20)	1052.99	-0.1	10.61	4.46	11.73	14.80	1054.49	1052.10	1052.25	1028.82
26	Food Retailing (16)	2241.68	+0.2	9.46	3.50	13.64	7.94	2236.56	2246.09	2245.72	2073.56
27	Health and Household (13)	2511.21	-1.1	7.17	2.76	16.63	17.07	2537.93	2547.67	2525.36	2303.02
29	Leisure (31)	1338.96	-1.1	10.72	4.51	11.51	9.24	1353.53	1358.13	1353.72	1598.31
31	Packaging & Paper (13)	565.65	-0.1	12.85	5.74	9.79	10.38	566.03	565.72	565.62	568.72
32	Publishing & Printing (16)	3205.96	+0.2	10.50	5.60	12.05	37.24	3199.31	3209.12	3207.64	3563.33
34	Stores (35)	731.20	+0.4	11.98	5.02	10.76	1.89	728.09	731.26	730.03	770.79
35	Textiles (12)	475.89	-1.3	14.04	7.48	8.97	0.59	482.28	483.93	487.00	525.44
40	OTHER GROUPS (105)	1116.76	-0.1	11.19	5.12	10.70	8.58	1118.21	1120.28	1120.60	1067.00
41	Agencies (17)	1620.26	-0.1	5.60	2.43	21.96	12.33	1622.15	1618.45	1603.39	1265.70
42	Chemicals (23)	1180.52	-0.2	12.12	5.58	9.65	23.59	1183.02	1187.93	1187.81	1206.15
43	Conglomerates (14)	1574.79	-0.4	10.28	6.21	11.53	8.69	1580.60	1581.41	1577.35	1530.72
44	Transport (13)	2166.08	+0.2	11.22	4.60	11.32	25.71	2162.18	2165.26	2158.59	2413.32
46	Telephone Networks (2)	1107.04	-0.1	11.47	4.63	11.34	0.00	1108.60	1106.41	1110.24	1110.47
47	Water (10)	1852.17	-0.1	18.81	7.31	5.89	0.00	1853.63	1857.89	1865.39	0.00
48	Miscellaneous (26)	1764.33	......	10.70	4.86	10.47	18.48	1763.84	1778.76	1787.36	1457.50
49	INDUSTRIAL GROUP (482)	1099.52	-0.1	11.33	4.73	10.78	9.88	1101.15	1103.56	1100.64	1111.09
51	Oil & Gas (18)	2246.36	-0.2	11.06	5.37	11.93	35.53	2251.77	2245.14	2235.21	2004.17
59	500 SHARE INDEX (500)	1195.11	-0.2	11.29	4.82	10.93	11.91	1197.04	1198.79	1195.32	1186.84
61	FINANCIAL GROUP (110)	782.81	-1.1	–	5.81	–	17.48	791.71	799.92	800.38	732.99
62	Banks (9)	831.75	-2.4	19.75	6.42	6.63	24.14	852.08	866.26	864.15	721.66
65	Insurance (Life) (7)	1267.70	......	–	5.79	–	34.46	1267.56	1274.44	1278.94	1042.25
66	Insurance (Composite) (7)	642.95	-0.8	–	6.43	–	19.43	648.23	653.66	645.17	576.45
67	Insurance (Brokers) (7)	1045.89	+0.4	8.20	6.22	16.08	26.30	1041.77	1042.32	1039.74	936.33
68	Merchant Banks (7)	448.01	-1.0	–	4.26	–	4.85	452.73	452.50	454.84	336.58
69	Property (48)	1139.72	......	8.13	3.91	15.58	5.62	1140.18	1149.00	1165.78	1317.66
70	Other Financial (25)	310.38	-0.2	14.16	7.18	9.34	4.09	311.02	312.60	313.98	369.36
71	Investment Trusts (67)	1144.79	+0.4	–	3.30	–	8.95	1140.53	1141.86	1138.02	1103.91
91	Overseas Traders (5)	1324.97	+0.4	9.98	6.89	12.10	42.87	1319.49	1325.80	1318.62	1396.06
99	ALL-SHARE INDEX (682)	1095.00	-0.3	–	4.93	–	13.04	1098.14	1101.24	1098.61	1076.35

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Apr 17	Apr 12	Apr 11	Apr 10	Apr 9	Year ago
FT-SE 100 SHARE INDEX♦	2205.9	-8.6	2223.9	2205.7	2214.5	2222.1	2215.5	2217.5	2227.7	2087.0

FIXED INTEREST

	PRICE INDICES	Wed Apr 18	Day's change %	Tue Apr 17	xd adj. today	xd adj. 1990 to date
	British Government					
1	Up to 5 years	112.42	-0.02	112.44	–	4.19
2	5-15 years	114.87	-0.17	115.07	–	4.96
3	Over 15 years	118.15	-0.32	118.54	–	4.16
4	Irredeemables	136.44	-1.14	138.01	–	1.51
5	All stocks	116.09	-0.15	116.26	–	4.61
	Index-Linked					
6	Up to 5 years	141.15	+0.05	141.09	–	1.49
7	Over 5 years	132.28	-0.06	132.36	–	1.38
8	All stocks	132.84	-0.05	132.90	–	1.38
9	Debentures & Loans	95.67	-0.01	95.68	–	3.12
10	Preference	75.41	+1.90	74.01	–	2.07

	AVERAGE GROSS REDEMPTION YIELDS		Wed Apr 18	Tue Apr 17	Year ago (approx.)
	British Government				
1	Low	5 years	11.93	11.89	9.77
2	Coupons	15 years	11.58	11.52	9.22
3		25 years	11.49	11.39	9.02
4	Medium	5 years	13.15	13.12	10.67
5	Coupons	15 years	12.07	12.02	9.65
6		25 years	11.65	11.57	9.21
7	High	5 years	13.26	13.23	10.80
8	Coupons	15 years	12.37	12.32	9.89
9		25 years	11.91	11.84	9.40
10	Irredeemables	†	11.52	11.37	8.99
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	4.81	4.82	3.72
12	Inflation rate 5%	Over 5 yrs.	4.21	4.20	3.61
13	Inflation rate 10%	Up to 5yrs.	3.75	3.75	2.74
14	Inflation rate 10%	Over 5 yrs.	4.02	4.01	3.43
15	Debs &	5 years	16.25	16.23	12.17
16	Loans	15 years	14.03	14.01	11.57
17		25 years	13.38	13.38	11.12
18	Preference	†	12.26	12.50	10.19

♦Opening index 2216.1; 9 am 2216.4; 10 am 2223.7; 11 am 2219.7; Noon 2220.0; 1 pm 2216.9; 2 pm 2219.2; 3 pm 2217.5; 4 pm 2206.9; 4.10 pm 2206.2; (a) 9.50am (b) 4.16pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	3	77	18
Corporations, Dominion and Foreign Bonds	4	3	20
Industrials	289	320	980
Financial and Properties	150	152	424
Oils	15	31	44
Plantations	0	0	10
Mines	18	52	88
Others	48	85	117
Totals	527	720	1,701

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price p	+or-	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
§125	F.P.	–	128	116	AIH Leisure 10p	116	-2	R4.7	3.3	5.4	7.6
–	F.P.	–	206	200	Argos 10p	203½	+½	15.5	3.0	3.6	9.9
20	F.P.	–	28	25	♦Bioplan Hldgs. 1p	26					
–	F.P.	–	266	251	Courtaulds Textiles	263	+6	W11.6	2.4	5.9	9.1
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price £	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price p	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible] previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1990. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ¶ Issued by tender. § Offered to holders of ordinary shares as a "rights". † Introduction. ‡ Placing price. †† Reintroduction. ¢ Unlisted securities market. * Third Market.

TRADITIONAL OPTIONS

- First Dealings Apr 17
- Last Dealings May 4
- Last Declarations July 19
- For settlement July 30

For rate indications see end of London Share Service

Calls in: Aquascutum A, ASDA, Aviva, Barclays, Bridgend, Carlisle Group, LIT, Next, and Tusker Res. Puts in: Parkfield, and FKB. Puts and Calls: Brent Walker, Next and Tarmac.

LONDON TRADED OPTIONS

DEALING in futures and options remained subdued yesterday, as the underlying stock market was relatively lightly traded. Total options turnover stood at 27,257 lots, against 16,169 the previous session. In the futures market, 2,829 FT-SE index contracts changed hands, against 2,387.

London shares had opened steadily following the tone set by the other major centres, with the June futures index at a 21-point premium to its cash equivalent, compared with 15 at the previous close. The futures market then started to lead the cash upwards on a modest amount of buying. The premium rose to 28 points, before the stock market started to catch up.

At around midday, however, futures dealers got wind of a trade in the Footsie option index pitch. A dealer attempted to buy a large quantity of June puts, said to be as many as 5,000, which futures traders thought would be hedged in their market by selling around 1,400 Footsie contracts. In the event, the trade was not executed, but the prospect of a big seller left the futures market with little of its morning gains intact.

A small rally then took place after the release of the latest US trade figures, but it was short-lived. The futures market began to fall away as the US bond market weakened and on the lack of follow through from Wall Street.

Towards the close, the futures market premium was whittled away to 12 points, as sentiment began to turn negative, particularly after the cash index breached a key support level. However, support was provided by Barclays de Zoete Wedd, which sold 850 of the April 2,250 puts, which prompted buying of futures.

At the end of the day's trading, total FT-SE option turnover stood at 9,437 lots, the bulk of which of were calls. The April 2,250 calls were the most popular, trading 3,850 contracts.

Amstrad was the busiest stock option, and traded a total of 2,765 contracts, of which 2,578 were calls and 187 were puts.

Option		CALLS Apr	Jul	Oct	PUTS Apr	Jul	Oct
Allied Lyons (*436)	420	11	25	42	4	18	21
	460	1½	11	24	35	46	47
	500	½	5	13	74	85	82
ASDA (*108)	100	3½	10	12½	3½	7	10
	110	1	5½	8	12	14	16
	120	½	3½	4½	22	22	24
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		CALLS Apr	Jul	Oct	PUTS Apr	Jul	Oct
Utd. Biscuits (*320)	300	22	35	45	1½	5½	9
	330	3	17	28	14	19	22
Unilever (*651)	650	7	38½	41½	6½	16½	20½
	700	2	15	35	31	30½	51½
Ultramar (*348)	330	20	40	50	2	8	15
	360	3	22	32	15	20	25
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		CALLS Jun	Sep	Dec	PUTS Jun	Sep	Dec
Amstrad (*77)	70	11	15½	17½	2½	4½	6
	80	6	10	13	6½	9	10½
Barclays (*550)	550	21	41	58	16	25	26
	600	8	19	33	53	55	55
Blue Circle	220	8	17	21	14	15	17
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT-SE INDEX (*2205)

	2125	2175	2225	2275	2325	2375	2425	2475
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT-SE INDEX (*2205)

	2150	2200	2250	2300	2350	2400	2450	2500
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

April 18 Total Contracts 26,897 Calls 17,327 Puts 9,570 FT-SE Index Calls 6827 Puts 2610 *Underlying security price. † Long dated expiry months.

- **Working costs per kilogram increase by 3,9%**
- **Working profit up by 5% to R205 million**

Gengold

- **Dividends declared**
  - Bracken 30 cents per share
  - Kinross 160 cents per stock unit
  - Leslie 40 cents per share
  - Unisel 50 cents per share
  - Winkelhaak 165 cents per share

GOLD MINING COMPANIES' REPORTS FOR THE QUARTER ENDED 31 MARCH 1990

All companies mentioned are incorporated in the Republic of South Africa

The GROOTVLEI Proprietary Mines Limited

Company Registration No. 01/02088/06

Shaft accident affects production

Issued capital – 11 438 816 stock units of 25 cents each.

OPERATING RESULTS		Quarter ended 31.3.1990	Quarter ended 31.12.1989
Mined	(m²)	40 693	42 347
Ore milled – underground	(t)	166 000	190 000
– surface dumps	(t)	8 000	20 000
– total	(t)	174 000	210 000
Yield – underground	(g/t)	4,0	4,3
– surface dumps	(g/t)	0,8	1,3
– combined	(g/t)	3,8	4,1
Gold produced	(kg)	662	[illegible]
Working revenue	(R/kg)	34 057	32 479
Working costs	(R/kg)	33 462	27 818
	(R/t milled)	127,31	112,86
Working income	(R/kg)	595	4 661
Gold price received	(R/kg)	33 959	32 388
	($/oz)	414	375
FINANCIAL RESULTS (R'000)			
Working revenue		22 546	27 672
Working costs		22 152	23 701
Working income		394	3 971
Sundry income – net		3 384	1 003
Tribute receipts – net		147	161
Income before taxation		3 925	5 135
Taxation		1 733	661
Income after taxation		2 192	4 474
Capital recoupment		299	210
Dividend declared		—	[illegible]

DEVELOPMENT		Quarter ended 31.3.1990 Black Reef	Quarter ended 31.3.1990 Kimberley Reef	Quarter ended 31.12.1989 Black Reef	Quarter ended 31.12.1989 Kimberley Reef
Advanced	(m)	282	2 452	228	1 934
Advanced on reef	(m)	151	1 280	111	1 180
Sampled	(m)	136	1 229	96	1 175
Channel width	(cm)	76	15	138	16
Average value – gold	(g/t)	6,6	32,3	3,5	22,8
–	(cm.g/t)	503	485	[illegible]	365

REMARKS
- Estimated capital expenditure for the next six months – R0,3 million.
- During the quarter an accident occurred at No. 4 Shaft which resulted in a loss of production. Operations are back to normal.
- Insurance claims in respect of the shaft accident are included in sundry income.
- Grootvlei has assumed management responsibility for Marievale Mine, a division of Randex Limited, with effect from 1 April. The ore produced from the winding down of Marievale's operations is being treated at Grootvlei. This arrangement enables the plant clean-up at Marievale to proceed.
- The sale of an unlisted investment realised R0,3 million, which has been included in capital recoupments.

UNISEL Gold Mines Limited

Company Registration No. 72/10604/06

Production results adversely affected

Issued capital – 28 000 000 shares of no-par value.

OPERATING RESULTS		Quarter ended 31.3.1990	Quarter ended 31.12.1989	6 months ended 31.3.1990
Mined	(m²)	39 220	45 091	84 221
Ore milled	(t)	212 000	261 000	473 000
Yield	(g/t)	5,9	6,2	6,1
Gold produced	(kg)	1 250	1 620	2 870
Working revenue	(R/kg)	34 075	32 938	33 431
Working costs	(R/kg)	23 957	19 127	21 230
	(R/t milled)	141,26	118,72	128,82
Working income	(R/kg)	10 118	13 808	12 201
Gold price received	(R/kg)	33 840	32 862	[illegible]
	($/oz)	413	387	[illegible]
FINANCIAL RESULTS (R'000)				
Working revenue		42 594	53 352	95 946
Working costs		29 946	30 985	60 931
Working income		12 648	22 367	35 015
Sundry income – net		1 929	1 829	3 756
Milling fee paid		1 802	1 760	3 562
Income before taxation and State's share of income		12 775	22 436	35 211
Taxation and State's share of income		4 967	10 566	15 533
Income after taxation and State's share of income		7 808	11 870	19 678
Capital expenditure		3 919	2 584	6 503
Dividend declared		14 000	—	14 000

DEVELOPMENT		Quarter ended 31.3.1990 Basal Reef	Leader Reef	Middle Reef	Quarter ended 31.12.1989 Basal Reef	Leader Reef	Middle Reef	6 months ended 31.3.1990 Basal Reef	Leader Reef	Middle Reef
Advanced	(m)	2 683	89	17	2 861	79	—	5 544	178	17
Advanced on reef	(m)	402	28	17	133	50	—	535	88	17
Sampled	(m)	318	20	—	114	18	—	432	38	—
Channel width	(cm)	104	186	—	136	256	—	113	220	—
Average value – gold	(g/t)	7,9	2,2		7,7	2,7	—	7,8	2,8	
–	(cm.g/t)	825	418	—	1 044	696	—	882	847	—

REMARKS
- Estimated capital expenditure for the next six months – R10,8 million.
- Interim dividend No. 21 of 50 cents per share was declared.
- A fire in 4.18 stope and seismicity in the western section of the mine during the December quarter necessitated major relocations. This quarter's results were adversely affected by the reorganisation.
- On 15 March an illegal strike started on the mine, apparently as part of a NUM campaign throughout the mining industry. Production ceased for a period of six days and the situation is still tense.
- A capital amount of R23 million has been approved for development into the Tarka and Jurgenshof areas.
- The sale of an unlisted investment realised R0,2 million, which has been included in capital expenditure.

ST. HELENA Gold Mines Limited

Company Registration No. 05/20743/06

Improved yield

Issued capital – 9 628 000 ordinary shares of R1 each.
– 3 825 035 'A' cumulative preference shares of R1 each.
– 3 825 035 'B' cumulative preference shares of R1 each.
– 2 465 000 'C' cumulative preference shares of R1 each.

OPERATING RESULTS		Quarter ended 31.3.1990	Quarter ended 31.12.1989
Mined	(m²)	100 186	119 709
Ore milled	(t)	437 000	478 000
Yield	(g/t)	6,0	5,7
Gold produced	(kg)	2 620	2 710
Working revenue	(R/kg)	33 756	32 586
Working costs	(R/kg)	27 777	[illegible]
	(R/t milled)	166,54	150,69
Working income	(R/kg)	5 979	6 007
Gold price received	(R/kg)	33 620	32 586
	($/oz)	398	382
FINANCIAL RESULTS (R'000)			
Working revenue		88 440	88 309
Working costs		72 776	72 030
Working income		15 664	16 279
Sundry income – net		2 705	2 659
Income before taxation and State's share of income		18 369	18 938
Taxation and State's share of income		1 664	1 701
Income after taxation and State's share of income		16 705	17 237
Taxation offset on Oryx capital expenditure		7 137	9 837
Attributable to ordinary shareholders		9 568	7 400
Capital expenditure/(recoupment)		(605)	382
Dividend declared		—	13 958

DEVELOPMENT		Quarter ended 31.03.1990 Basal Reef	Leader Reef	Quarter ended 31.12.1989 Basal Reef	Leader Reef
Advanced	(m)	3 326	368	3 619	302
Advanced on reef	(m)	237	210	612	156
Sampled	(m)	227	223	628	185
Channel width	(cm)	112	141	110	122
Average value – gold	(g/t)	8,3	4,5	7,8	4,1
–	(cm.g/t)	934	639	860	500

REMARKS
- Estimated capital expenditure for the next six months – R7,2 million.
- Approval has been given for exploratory development in the No. 10 Shaft area at a cost of R6 million in the current year.
- The sale of an unlisted investment realised R2,0 million, which has been included in capital expenditure.

Oryx mine

(A division of St. Helena Gold Mines Limited)

Subvertical main shaft sinking started

OPERATING RESULTS Basal Reef		Quarter ended 31.3.1990	Quarter ended 31.12.1989
Ore milled	(t)	24 484	24 392
Gold produced	(kg)	58	52
FINANCIAL RESULTS (R'000)			
Net income before taxation		[illegible]	3 930
Capital expenditure		62 404	59 872

SHAFT SINKING
Sinking of the subvertical ventilation shaft progressed to 288 metres below 5 level and sinking of the subvertical main shaft has commenced, following the equipping of the headgear.

CONSTRUCTION
- Underground development on 4 and 5 levels associated with the subvertical shafts has been completed.
- The main shaft rock and stage winders have been installed and are in operation.
- Civil construction of the metallurgical plant has started.

REMARKS
- Capital expenditure is financed by loans from Oryx Gold Holdings Limited.
- To date capital expenditure of R446 million has been committed, of which R418 million has been spent.
- The attention of shareholders is drawn to the quarterly report of Oryx Gold Holdings Limited, which appears elsewhere in this edition.

BUFFELSFONTEIN Gold Mining Company Limited

Company Registration No. 05/33934/06

Steady performance

Issued capital – 11 000 000 ordinary shares of R1 each.
– 12 400 158 cumulative preference shares of R1 each.

OPERATING RESULTS Gold		Quarter ended 31.3.1990	Quarter ended 31.12.1989	9 months ended 31.3.1990
Mined	(m²)	125 970	134 639	[illegible]
Ore milled	(t)	587 000	598 000	1 768 000
Yield	(g/t)	6,3	6,2	6,2
Gold produced	(kg)	3 696	3 700	11 047
Working revenue	(R/kg)	33 871	32 703	32 986
Working costs	(R/kg)	25 742	25 474	26 533
	(R/t milled)	168,38	164,35	165,76
Working income	(R/kg)	7 129	6 229	6 452
Gold price received	(R/kg)	33 795	32 703	32 925
	($/oz)	411	385	[illegible]
Uranium				
Pulp treated	(t)	587 000	598 000	1 768 000
Oxide produced	(t)	88	85	271
Yield	(kg/t)	0,15	0,14	0,15
FINANCIAL RESULTS (R'000)				
Gold – Working revenue		125 190	121 000	364 387
– Working costs		96 840	97 953	293 106
– Working income		28 350	23 047	71 281
Uranium – Working income		156	7 980	14 204
Sundry income – net		8 435	4 302	16 901
Tribute payments – net		3 106	3 647	10 982
Income before taxation and State's share of income		31 836	31 382	81 634
Taxation and State's share of income		14 275	17 592	48 258
Dividend received – Chemwes		1 300	—	7 300
Share of income – Beatrix mine		2 667	2 476	7 046
Income after taxation and State's share of income		21 627	16 258	59 728
Capital expenditure		1 887	818	5 809
Dividends declared – ordinary shares		—	33 000	33 000
– preference shares		14 000	13 000	37 000
DEVELOPMENT – Vaal Reef and limited 'C' Reef				
Advanced	(m)	5 428	5 914	17 101
Advanced on reef	(m)	490	807	1 585
Sampled	(m)	528	480	1 384
Channel width	(cm)	71	78	73
Average value – gold	(g/t)	10,2	10,8	12,1
–	(cm.g/t)	714	805	870
– uranium	(kg/t)	0,329	0,263	0,308
–	(cm.kg/t)	23,40	[illegible]	24,25

REMARKS
- Estimated capital expenditure for the next six months – R6 million.
- Interim dividend No. 12 of R14 million was declared in respect of the preference shares.
- Retrenchment costs of R1,2 million are included in working costs.
- The sale of an unlisted investment realised R1,9 million, which has been included in sundry income.

Beatrix mine

(A division of Buffelsfontein Gold Mining Company Limited)

Yield maintained with good cost control

In terms of an agreement, 16 percent of the distributable income from the Beatrix mine is attributable to Buffelsfontein and 84 percent to Beatrix Mines Limited.

OPERATING RESULTS		Quarter ended 31.3.1990	Quarter ended 31.12.1989	9 months ended 31.3.1990
Mined	(m²)	111 905	118 476	354 380
Ore milled	(t)	524 000	532 000	1 600 000
Yield	(g/t)	6,2	6,2	6,1
Gold produced	(kg)	3 250	3 300	9 814
Working revenue	(R/kg)	33 740	32 226	32 703
Working costs	(R/kg)	19 623	19 093	19 477
	(R/t milled)	121,71	118,44	119,47
Working income	(R/kg)	14 117	13 133	13 226
Gold price received	(R/kg)	33 637	32 218	32 649
	($/oz)	406	375	383
FINANCIAL RESULTS (R'000)				
Working revenue		109 655	106 345	320 947
Working costs		63 774	63 008	191 151
Working income		45 881	43 337	129 796
Sundry income – net		5 997	4 185	12 476
Royalty payments – Beatrix Mines Limited		16 448	15 952	48 142
Income before taxation		35 430	31 573	94 130
Provision for taxation		14 126	14 706	41 779
Income after taxation		21 304	16 867	52 351
Capital appropriation		4 766	2 198	8 217
Dividends on preference shares		14 000	13 000	37 000
DEVELOPMENT – Beatrix Reef				
Advanced	(m)	7 551	8 597	25 427
Advanced on reef	(m)	1 358	2 396	6 448
Sampled	(m)	1 689	2 413	6 261
Channel width	(cm)	74	68	65
Average value – gold	(g/t)	11,8	11,6	11,8
–	(cm.g/t)	860	797	766

REMARKS
- Estimated capital expenditure for the next six months – R8,5 million.
- The attention of shareholders is drawn to the quarterly report of Beatrix Mines Limited, which appears elsewhere in this edition.
- The sale of an unlisted investment realised R0,2 million, which has been included in capital expenditure.

Chemwes Limited

Company Registration No. 84/02379/06
(A subsidiary of Stilfontein Gold Mining Company Limited)

Issued capital – 1 000 shares of R1 each.

FINANCIAL RESULTS (R'000)	Quarter ended 31.3.1990	Quarter ended 31.12.1989
Net income after taxation	1 142	1 605
Capital recoupment	113	68
Dividend declared	—	6 500

REMARKS
- The sale of an unlisted investment realised R0,1 million, which has been included in capital recoupments.

STILFONTEIN Gold Mining Company Limited

Company Registration No. 05/33412/06

VCR mining hits profits

Issued capital – 13 062 920 shares of 50 cents each.

OPERATING RESULTS		Quarter ended 31.3.1990	Quarter ended 31.12.1989
Mined	(m²)	58 391	61 222
Ore milled – underground	(t)	291 000	281 000
– surface dumps	(t)	159 000	247 000
– total	(t)	450 000	528 000
Yield – underground	(g/t)	3,4	4,0
– surface dumps	(g/t)	1,0	0,9
– combined	(g/t)	2,6	2,5
Gold produced	(kg)	1 154	1 333
Working revenue	(R/kg)	33 731	32 815
Working costs	(R/kg)	33 710	29 595
	(R/t milled)	86,45	74,72
Working income	(R/kg)	21	3 220
Gold price received	(R/kg)	33 672	32 815
	($/oz)	408	387
FINANCIAL RESULTS (R'000)			
Working revenue		38 926	43 743
Working costs		38 901	39 450
Working income		25	4 293
Sundry income – net		3 337	3 108
Tribute payments – net		743	884
Income before taxation and State's share of income		2 619	6 837
Taxation and State's share of income		1 306	762
Dividend received – Chemwes		—	5 200
Income after taxation and State's share of income		1 313	10 275
Capital recoupment		1 535	297
Dividend declared		—	16 982

DEVELOPMENT		Quarter ended 31.3.1990 Vaal Reef	V.C.R.	Quarter ended 31.12.1989 Vaal Reef	V.C.R.
Advanced	(m)	303	1 537	502	900
Advanced on reef	(m)	41	669	91	260
Sampled	(m)	30	660	85	260
Channel width	(cm)	12	43	10	44
Average value – gold	(g/t)	90,2	6,8	119,2	6,2
–	(cm.g/t)	1 055	293	1 192	275
– uranium	(kg/t)	1,584	0,140	3,012	0,128
–	(cm.kg/t)	18,68	6,03	30,12	5,72

REMARKS
- Estimated capital expenditure for the next six months – R1,2 million.
- In line with lower V.C.R. values, the underground recovery grade has dropped. This situation is expected to persist.
- The sale of an unlisted investment realised R1,5 million, which has been included in capital recoupments.

WEST RAND Consolidated Mines Limited

Company Registration No. 01/01978/06

Encouraging development results

Issued capital – 4 250 000 ordinary shares of R1 each.
– 25 000 deferred shares of R2 each.

OPERATING RESULTS		Quarter ended 31.3.1990	Quarter ended 31.12.1989
Mined	(m²)	27 188	29 500
Ore milled – underground	(t)	94 000	114 000
– surface dumps	(t)	123 000	111 000
– total	(t)	217 000	225 000
Yield – underground	(g/t)	5,0	4,7
– surface dumps	(g/t)	0,6	0,5
– combined	(g/t)	2,4	2,6
Gold produced	(kg)	530	588
Working revenue	(R/kg)	33 621	32 804
Working costs	(R/kg)	32 140	29 866
	(R/t milled)	78,50	75,44
Working income	(R/kg)	1 481	3 938
Gold price received	(R/kg)	33 585	32 706
	($/oz)	409	385
FINANCIAL RESULTS (R'000)			
Working revenue		17 819	19 289
Working costs		17 034	16 973
Working income		785	2 316
Sundry income – net		1 751	1 731
Tribute and royalty payments – net		95	540
Income before taxation		2 441	3 507
Taxation		821	—
Income after taxation		1 620	3 507
Capital recoupment		1 145	36
Dividends declared		—	2 287
DEVELOPMENT			
Advanced	(m)	869	1 026
Advanced on reef	(m)	700	550
Sampled	(m)	634	561
Channel width	(cm)	105	155
Average value – gold	(g/t)	21,4	14,8
–	(cm.g/t)	2 246	3 269

REMARKS
- Estimated capital expenditure for the next six months – NIL.
- The sale of an unlisted investment realised R0,6 million, which has been included in capital recoupments.

BRACKEN Mines Limited

Company Registration No. 59/01126/06

Gold output maintained

Issued capital – 14 000 000 shares of 90 cents each.

OPERATING RESULTS		Quarter ended 31.3.1990	Quarter ended 31.12.1989	6 months ended 31.3.1990
Mined	(m²)	37 264	43 053	80 317
Ore milled	(t)	140 000	145 000	285 000
Yield	(g/t)	3,8	3,6	3,7
Gold produced	(kg)	530	520	1 050
Working revenue	(R/kg)	37 725	32 655	35 229
Working costs	(R/kg)	31 243	31 100	31 172
	(R/t milled)	118,28	111,53	114,84
Working income	(R/kg)	6 482	1 555	4 057
Gold price received	(R/kg)	33 775	32 686	33 235
	($/oz)	411	387	399
FINANCIAL RESULTS (R'000)				
Working revenue		19 994	16 996	36 990
Working costs		16 559	16 172	[illegible]
Working income		3 435	824	4 259
Sundry income – net		891	834	1 725
Tribute and royalty payments – net		18	—	18
Income before taxation and State's share of income		4 308	1 658	5 966
Taxation and State's share of income		2 091	429	2 520
Income after taxation and State's share of income		2 217	1 229	3 446
Capital expenditure/(recoupment)		(1 232)	156	(1 076)
Dividend declared		4 200	—	4 200
DEVELOPMENT – Kimberley Reef				
Advanced	(m)	480	467	947
Advanced on reef	(m)	61	174	235
Sampled	(m)	54	173	227
Channel width	(cm)	25	29	28
Average value – gold	(g/t)	76,9	27,0	38,0
–	(cm.g/t)	[illegible]	788	1 076

REMARKS
- Estimated capital expenditure for the next six months – R0,4 million.
- Interim dividend No. 55 of 30 cents per share was declared.
- Shaft pillar extraction is proceeding according to plan.
- The sale of an unlisted investment realised R1,3 million, which has been included in capital expenditure.

KINROSS Mines Limited

Company Registration No. 63/08226/06

Sound performance

Issued capital – 18 000 000 stock units of R1 each.

OPERATING RESULTS		Quarter ended 31.3.1990	Quarter ended 31.12.1989	6 months ended 31.3.1990
Mined	(m²)	106 481	117 782	224 263
Ore milled	(t)	518 000	535 000	1 053 000
Yield	(g/t)	5,9	5,7	5,8
Gold produced	(kg)	3 060	3 055	6 115
Working revenue	(R/kg)	34 326	31 849	33 088
Working costs	(R/kg)	19 039	19 128	19 084
	(R/t milled)	112,47	109,23	110,82
Working income	(R/kg)	15 287	12 721	14 004
Gold price received	(R/kg)	33 933	31 840	32 888
	($/oz)	413	372	392
FINANCIAL RESULTS (R'000)				
Working revenue		105 037	97 298	202 335
Working costs		58 260	58 437	116 697
Working income		46 777	38 861	85 638
Tribute and royalties – net		—	364	364
Sundry income – net		3 254	4 282	7 536
Income before taxation and State's share of income		50 031	43 507	93 538
Taxation and State's share of income		31 481	22 172	53 653
Income after taxation and State's share of income		18 550	21 335	39 885
Capital expenditure		2 011	7 492	[illegible]
Dividend declared		28 800	—	28 800
DEVELOPMENT – Kimberley Reef				
Advanced	(m)	3 173	3 302	6 475
Advanced on reef	(m)	718	1 036	1 754
Sampled	(m)	729	1 035	1 764
Channel width	(cm)	27	31	30
Average value – gold	(g/t)	24,0	17,7	20,0
–	(cm.g/t)	664	556	596

REMARKS
- Estimated capital expenditure for the next six months – R14,3 million.
- Interim dividend No. 44 of 160 cents per stock unit was declared.
- Decline No. 1 reached 16 level in January and the first raise holed at the end of March. The No. 2 Decline reached 19 level in March and the first raise is planned to stope in December 1990.
- The sale of an unlisted investment realised R1,7 million, which has been included in capital expenditure.

LESLIE Gold Mines Limited

Company Registration No. 59/01124/06

Production maintained

Issued capital – 16 000 000 shares of 65 cents each.

OPERATING RESULTS		Quarter ended 31.3.1990	Quarter ended 31.12.1989	6 months ended 31.3.1990
Mined	(m²)	40 080	44 047	84 127
Ore milled	(t)	156 000	172 000	328 000
Yield	(g/t)	4,7	4,3	4,5
Gold produced	(kg)	736	742	1 478
Working revenue	(R/kg)	35 281	32 315	34 296
Working costs	(R/kg)	26 329	25 592	25 959
	(R/t milled)	124,22	110,40	116,97
Working income	(R/kg)	8 962	6 723	8 336
Gold price received	(R/kg)	33 698	32 287	33 089
	($/oz)	413	377	395
FINANCIAL RESULTS (R'000)				
Working revenue		25 710	23 978	50 688
Working costs		19 378	18 989	38 367
Working income		7 332	4 989	12 321
Sundry income – net		1 119	891	2 010
Tribute and royalty payments – net		19	11	30
Income before taxation and State's share of income		8 432	5 869	14 301
Taxation and State's share of income		4 788	2 908	7 696
Income after taxation and State's share of income		3 644	2 961	6 605
Capital expenditure/(recoupment)		(1 283)	614	(669)
Dividend declared		6 400	—	6 400
DEVELOPMENT – Kimberley Reef				
Advanced	(m)	1 154	1 114	2 268
Advanced on reef	(m)	476	268	744
Sampled	(m)	491	267	758
Channel width	(cm)	17	20	18
Average value – gold	(g/t)	43,5	39,0	41,7
–	(cm.g/t)	735	780	754

REMARKS
- Estimated capital expenditure for the next six months – R1,4 million.
- Interim dividend No. 51 of 40 cents per share was declared.
- The mine is finding it increasingly difficult to maintain ore reserves prior to the full development of the Northern Block.
- The sale of an unlisted investment realised R1,5 million, which has been included in capital expenditure.

WINKELHAAK Mines Limited

Company Registration No. 55/03608/06

No. 6 Shaft boosts production

Issued capital – 12 180 000 shares of R1 each.

OPERATING RESULTS		Quarter ended 31.3.1990	Quarter ended 31.12.1989	6 months ended 31.3.1990
Mined	(m²)	138 227	133 850	272 077
Ore milled	(t)	540 000	535 000	1 075 000
Yield	(g/t)	[illegible]	5,8	5,8
Gold produced	(kg)	3 202	3 080	[illegible]
Working revenue	(R/kg)	34 488	32 262	33 397
Working costs	(R/kg)	20 351	21 119	20 728
	(R/t milled)	120,67	121,58	121,13
Working income	(R/kg)	14 137	11 143	12 669
Gold price received	(R/kg)	33 779	32 248	33 026
	($/oz)	412	377	394
FINANCIAL RESULTS (R'000)				
Working revenue		110 430	99 368	209 798
Working costs		65 164	65 047	130 211
Working income		45 266	34 321	79 587
Sundry income – net		4 426	3 870	8 296
Tribute and royalty payments – net		326	449	775
Income before taxation and State's share of income		49 366	37 742	87 108
Taxation and State's share of income		16 309	7 320	23 629
Income after taxation and State's share of income		33 057	30 422	63 479
Capital expenditure		20 398	22 780	43 178
Dividend declared		20 097	—	20 097
DEVELOPMENT – Kimberley Reef				
Advanced	(m)	3 630	[illegible]	7 684
Advanced on reef	(m)	[illegible]	961	2 270
Sampled	(m)	1 323	980	2 303
Channel width	(cm)	88	87	88
Average value – gold	(g/t)	10,2	10,5	10,3
–	(cm.g/t)	893	915	902

REMARKS
- Estimated capital expenditure for the next six months – R45,8 million.
- Interim dividend No. 60 of 165 cents per share was declared.
- No. 6 Shaft's ore passes and settlers are virtually complete.
- The sale of an unlisted investment realised R2,4 million, which has been included in capital expenditure.

NOTES

1. On 18 April 1990 dividends were declared by certain of the abovementioned companies, payable to members registered at the close of business on 4 May 1990.
   The registers of members of the companies will be closed from 8 May 1990 to 18 May 1990, both days inclusive.
   The dividends are declared in the currency of the Republic of South Africa. Payments from the United Kingdom office will be made in Sterling at the rate of exchange ruling on 1 June 1990, or the first day thereafter on which a rate of exchange is available.
   Dividend warrants will be posted on 15 June 1990.
   In the case of non-resident shareholders, taxation of 15 percent will be deducted.
   The full conditions of payment may be inspected at or obtained from the registered office.
2. Development values represent actual results of sampling. No allowance has been made for any adjustments which may be necessary when estimating ore reserves.
3. All financial figures are unaudited.
4. Marievale's results will no longer be published as the mine is in the process of closing down.

Transfer offices
South Africa
Central Registrars Limited
154 Market Street, Johannesburg 2001
(PO Box 4844, Johannesburg 2000)

United Kingdom
Barclays Registrars Limited
6 Greencoat Place
London SW1P 1PL

By order of the respective boards
D J D Ross
Senior Divisional Secretary (Gengold)

Johannesburg, 19 April 1990

Copies are available from the London office

Registered and head office
General Mining Building
6 Hollard Street
Johannesburg 2001
(PO Box 61820, Marshalltown 2107)

London office
Gencor (UK) Limited
30 Ely Place
London EC1N 6UA

GENMIN GROUP

UK COMPANY NEWS

Undertaking from a 5% holder boosts bidder's stake to 38.2%

Swedes raise offer for Runciman

By Clare Pearson

AVENA, the diversified Swedish group, yesterday turned up the heat on Walter Runciman when it announced a 20 per cent increase in its hostile cash offer for the shipping, security equipment and insurance concern.

The new offer is 625p cash per share, up from the original 520p. Together with entitlement to a final 9p dividend this values the company at £57.4m. A loan note alternative has also been added.

Avena's new terms met an immediate rejection from Viscount Runciman, chairman, who described them as utterly inadequate.

Avena also said it now spoke for 38.2 per cent of the issued share capital, having this week gained an undertaking to accept from a 5 per cent holder. The bidder itself owns a 28.5 per cent block.

In very low volume, the shares rose 95p to 638p following the announcement of the revised terms, which under Takeover Panel rules could be further improved up till the close of business tomorrow.

Tony Andrews

Viscount Runciman: the new terms are utterly inadequate

Mr Hans Eliasson, Avena's chairman, was yesterday morning in Glasgow talking to Scottish Amicable Investment Managers, holder of an 8.4 per cent stake.

Runciman already laid its cards on the table last week with an upbeat 1990 forecast. It said pre-tax profits would be not lower than £7.5m.

Earlier during the offer period it announced 1989 pre-tax profits of £5.6m, a 38 per cent increase.

At the offer price Avena's new terms provide Runciman with a prospective p/e of 11.8.

Viscount Runciman said this was wholly inadequate in the light of the company's record over the past five years, and "excellent future prospects."

Runciman (Trustees) owns about 15 per cent while more distant reaches of the family are thought to account for about a further 15 per cent.

A range of investors including some private shareholders account for the balance. The 5 per cent stake accepted this week is thought to have come from Prolific Unit Trust Managers.

Discussion during the closing stages of the offer is likely to focus on the sustainability of currently buoyant demand for liquid gas carriers, which Runciman operates as a member of the Unigas consortium and which form its main source of earnings.

BAT details proposals for Wiggins Teape

By Nikki Tait

BAT INDUSTRIES, the tobacco-based conglomerate which has been restructuring in the wake of the bid threat from Sir James Goldsmith's Hoylake consortium, yesterday gave further details on the proposed capital structure of Wiggins Teape Appleton, the paper business which it plans to demerge in June.

Wiggins Teape Appleton, it said, would have shown net debt at end-December of £170m, with a further £45m of trade debtors financed off balance sheet.

This would have compared with shareholders' funds – again taking account of capital adjustments – of £670m at the same date.

City forecasts for the forthcoming market capitalisation of Wiggins Teape Appleton have varied somewhat, and BAT said tactfully that it believed "a few analysts will probably find the information useful".

As previously announced, full listing particulars for the new company, which groups BAT's paper industry subsidiaries, will be published on May 10. Dealings should start on June 1.

Although analysts were previously uncertain about the gearing level which the paper company would carry at its launch, yesterday's figures caused little surprise.

One pundit suggested that the debt looked very modest in comparison with other international paper groups, and estimates for a £1.2bn-£1.5bn market capitalisation for Wiggins Teape Appleton were broadly confirmed.

● In the US, regulatory authorities in Texas and Oregon yesterday granted a continuance of up to 60 days to Axa-Midi Assurances, the French company which wants to buy BAT's Farmers subsidiary from Hoylake if the Goldsmith consortium makes a successful bid for BAT.

The Axa/Hoylake request for a delay followed an adverse regulatory ruling from the Californian insurance authorities – one of nine state insurance departments which must bless these arrangements before a new Hoylake bid for BAT can go ahead.

The would-be acquirers have said they will submit revised proposals, which they hope will meet California's requirements.

Similar continuance requests have been filed by Axa and Hoylake in the other four states which have held hearings on the matter.

Assuming that they follow Texas/Oregon's lead, the US regulatory proceedings will now grind to a halt for several weeks at least.

There is still some uncertainty as to how quickly revised Axa/Hoylake filings have to be made in California, although the target seems to be within one month of the April 9 ruling.

Sir James Goldsmith, head of the Hoylake consortium

Farmers, however, could then seek a further "discovery" period arising from the new filings, and some states might hold additional hearings on the matter. According to BAT, there was mention in Oregon of an additional hearing as late as August 24.

ADT lifts stake in Christies to over 15%

By Clare Pearson

ADT, the vehicle services and security group headed by Mr Michael Ashcroft, now accounts for 15.1 per cent of the ordinary shares of Christies International, the auction house, after further market purchases over the last week.

On April 10, ADT said it "reserved all rights" in relation to its investment and it had "no present intention" of making an offer unless a competitive situation arose.

In its latest purchases, ADT appears to have taken advantage of shares that became available in the market after it put out its statement. It also said on Tuesday last week that it had increased its stake in the ordinary shares to 13.8 per cent, up from 10.6 per cent.

Analysts noted yesterday that ADT's statement last week had also signalled that, if it were to contemplate making a bid, it would prefer to do so in a white knight role.

Christies is considered a difficult target for a hostile bid. Such a move would be likely to ruffle its staff, on whose relationships with art sellers and buyers its business so delicately hinges.

Christies' share price yesterday closed at 334p, up 3p on the day. The company itself said it welcomed long-term investors.

Taking into account the special A ordinary shares, ADT's stake now stands at 13.4 per cent of the total share capital.

Christies' share register features a number of other sizeable holdings including that of Aska International, the unquoted Japanese finance and insurance group which joined last autumn after acquiring 6.5 per cent of the total share capital.

The Wallenberg group, controlled by Sweden's leading industrial family, recently increased its investment from about 3 to 6.9 per cent. This was after Caledonia Investments, the Cayzer family's quoted vehicle, last month disposed of a 5.1 per cent holding. Caledonia then said it thought the outlook for Christies' shares, and for the art market, was one of quieter trading than last year.

Midsummer change of heart fails to deter Euro Leisure

By Andrew Bolger

EUROPEAN LEISURE, the night club and theme bars group, said it was determined to proceed with its offer for Midsummer Leisure, in spite of what it described as the "illogical and unexpected" reversal by the board of Midsummer of its recommendation of the deal.

The directors of Midsummer, the pub, disco and snooker club operator, irrevocably pledged their 15.1 stake towards acceptance when the all-paper offer was launched, but have now advised shareholders to reject the deal in view of the subsequent fall in the value of European Leisure's shares.

European Leisure said yesterday: "The latest position of the Midsummer board is astonishing in as much as it has now decided to reject a bid which at yesterday's stock market close valued Midsummer at some 17 per cent more than than the value of the bid at the time of the posting of the offer document.

"That document included a thorough endorsement by the Midsummer board of the commercial and strategic merits of combining the two businesses and the chairman of Midsummer referred to 'an attractive opportunity to participate in the benefits of combining the leisure activities and management expertise of both companies.'"

"Nothing in Midsummer's latest announcement gives cause for any confidence in its future prosperity as an independent company in the absence of any published forecast of profits and gearing" — European Leisure

The board of European Leisure remained convinced of those advantages and would be writing to Midsummer shareholders to contrast the immediate benefits of the European Leisure offer with the questionable future for an independent Midsummer.

European Leisure added: "As recently as last week, the directors of Midsummer stressed the constraints on growth and pressure on earnings faced by an independent Midsummer, both in their letter to their shareholders and in joint presentations to institutions in London.

"Nothing in Midsummer's latest announcement gives cause for any confidence in its future prosperity as an independent company in the absence of any published forecast of profits and gearing."

Mr Adam Page, chairman of Midsummer, said his company's gearing position would be addressed by accelerating proposed disposals. His directors had never doubted the future prosperity of Midsummer as an independent company.

European Leisure closed unchanged at 72p. At that level, its offer values each Midsummer share at 154p. Shares in Midsummer closed down 4p at 118p.

When the Midsummer directors accepted the offer, European Leisure shares stood at 80p, valuing each Midsummer share at 175p.

Receivers appointed to Equity & General's asset leasing side

By Andrew Hill

RECEIVERS have been called in to administrate the loss-making financial services operations of Equity & General.

Barclays, the group's bank, appointed receivers to its asset leasing activities at the board's request.

The administrative receivers – Mr John Richards and Mr Anthony Houghton of the accountancy firm Touche Ross – have not been appointed to Equity's profitable motor division, which owns a string of motor dealerships.

Neither the receivers nor Equity's directors could comment on yesterday's brief announcement.

In February, Equity announced it planned to dispose of the finance division, which it said had been hit by high interest rates, and added it would sell two freehold properties to help reduce gearing.

It also warned that significant losses at the division would overshadow the performance of the motor operation so that the group as a whole would only produce nominal trading profits for 1989.

The shares were suspended at 20p some six weeks ago, when it said discussions were under way which might have "a significant impact on the company."

Two companies have stakes of 10 per cent or more in Equity: Ibrahim Hussein Marafie & Sons Contractors & Traders, which is headed by one of the group's directors, and ICS, a private software company which had expressed an intention to buy up to 20 per cent of Equity.

The profits warning, suspension and appointment of receivers have come less than a year after a bullish statement by Mr Lionel Altman, Equity's chairman, at last July's AGM.

"I believe there is a bright and encouraging future for the company and its shareholders," he said at the time, highlighting a 60 per cent increase in 1988 pre-tax profits to £793,000.

Equity's acquisition programme stagnated for more than three years – from 1984 to 1988 – after the company requested a Department of Trade and Industry inquiry into dealings in its own shares.

UK COMPANY NEWS

Portfolio increase and rationalisation of investments help growth

Helical Bar rises 19% to £14.5m

By John Thornhill

HELICAL BAR dispelled some of the gloom surrounding the property sector by announcing a 19 per cent improvement in annual pre-tax profits and a 43 per cent rise in net assets per share.

Profits before tax at the property investment and trading company rose from £12.21m to £14.51m in the year ended January 31 1990, while fully diluted assets grew to 429p (301p). The announcement prompted a 9p increase in the share price to 269p.

Mr Michael Slade, managing director, attributed the profits increase to the growing size of the investment portfolio, trading and development profits from a project for British Petroleum at 99 City Road, London, the pre-sale of two buildings in Bristol, and rationalisation of its south Wales investments.

Gross profits rose to £33.5m (£18.36m), but were held back at the pre-tax level by substantially increased net interest charges of £15.61m (£3.85m).

Rents receivable grew strongly to £14.17m (£6.47m) and benefit came from extraordinary profits of £2.38m (£1.92m) arising from the sale of investment properties.

Helical stopped its property development activities in 1988 in anticipation of the tightening market. "We are now sitting calmly looking at what is happening in the market and planning to capitalise on it. Our management is positively looking to score and is not just fire fighting," he said.

Fully diluted earnings increased to 35.8p (31.9p). The final dividend of 7.6p brings the total to 10p (5.8p), a 72 per cent increase.

● COMMENT

There is wide admiration in the City of Michael Slade's reading of the property market but there are doubts that even he can escape the constraints of the distressed sector. Helical did well to lessen its exposure to development by moving into industrial property at an opportune moment. And although it has accumulated a host of assets in relatively buoyant parts of the country, it will still suffer the same turbulence as others. The high level of gearing – at about 140 per cent – is not a great problem financially because of the strong flow of rental income but it will limit the flexibility in taking full advantage of possible acquisitions. Helical has a declared aim of increasing net asset value to 550p per share by the year end, but analysts are less sanguine and suggest that anything over 500p would represent a good performance in the circumstances. It is especially difficult to estimate potential pre-tax profits but they are unlikely to move much ahead of last year's level of about £14m. Helical is regarded as one of the best-run companies in the property sector and is a safe hold, but few will be tempted to clamber aboard at present given the still uncertain outlook for the market.

Partial buy-out planned at Laurence Prust

By Richard Waters

LAURENCE PRUST, the small institutional brokerage firm owned by Credit Commercial de France, is the latest London broker to plan a partial return to ownership by its managers.

A management group led by Mr Alan Treacy, its chief executive, proposed a partial buy-out of the firm, which employs 80 people, earlier this month, the bank said yesterday.

The proposal was welcomed by Mr Anthony Greayer, chief executive of CCF's London operations, although he said that it was too early to tell what proportion of shares might be returned to management.

Hoare Govett, owned by Security Pacific, has put forward a similar proposal for a partial buy-out, while the managers of Sheppards have already acquired half of the firm's shares from its parent, BAII, a consortium-controlled bank.

The growing trend towards the unscrambling of links created at the time of Big Bang in 1986 follows the disenchantment of new owners with the losses that have been sustained by their UK brokerage operations, as well as an admission in some quarters that the acquisitions were strategically unnecessary from the beginning.

Mr Greayer said that a share distribution operation in London, such as that provided by Laurence Prust, was not vital to CCF's plans to develop in investment banking.

He added: "The key element is to give the management the incentive, the drive, to manage the business well in a very difficult market. Cost management is crucial."

The firm, which has equity research and sales operations as well as a corporate broking arm, sustained losses of about £1m last year.

Mr Greayer refused to comment on what would happen to Laurence Prust if the buy-out proposal failed.

"I don't think that that's really the issue. We have had an approach from management and are considering it," he said.

NEWS IN BRIEF

CASTLE COMMUNICATIONS: Rights issue of 1.13m new ordinary 5p shares at 400p each has been taken up in respect of 1.07m shares (94.3 per cent). Balance sold in the market at 438p per share.

CLAYFORM PROPERTIES now owns 13.71m ordinary shares (77.1 per cent) in Dumloe House Group, following acceptances in respect of 3m ordinary (16.9 per cent).

COOKS INDUSTRIES: At the EGM shareholders approved the merger with Bioplan Holdings and the USM flotation of the enlarged group. The offer for Bioplan is now unconditional and closed. Six more health authorities had selected Bioplan with which to negotiate partnership agreements for the development of private health care facilities. Those projects expected to involve the design and development of new private hospitals and day surgery units on NHS hospital campuses.

FIRST MARYLAND Bank, part of Allied Irish Bank group, reported first quarter net income of $18.96m ($14.83m).

HEPWORTH: An EGM has approved the acquisition of Société Financière Saunier Duval and the issue of £100m 11.25 per cent convertible capital bonds 2005. By 3pm on April 12, acceptances of the offer of capital bonds to qualifying ordinary holders were received in respect of 55.02 per cent of issue. Balance will be allotted on April 24 to those persons with whom the bonds were provisionally placed.

LIFE SCIENCES: Recent rights issue acceptanced in respect of 36.4m shares (94.6 per cent).

MAJEDIE INVESTMENTS is paying an interim dividend of 2.5 (2p) from earnings of 4.15p (3.25p) for half year ended March 31 1990. Net asset value 340p (309p). Franked investment income £988,000 (£796,000) and unfranked £939,000 (£863,000). Company continued to maintain high liquidity.

RAMUS HOLDINGS: The net assets of Kestrel Building Supplies, which are being acquired, have been evaluated at £292,668. The consideration will be satisfied by £142,668 cash and the allotment of 300,000 new ordinary shares (4.5 per cent of existing equity). The acquisition is expected to add annual turnover and pre-tax profit of £3m and £100,000 respectively.

TELEMETRIX has sold its Danish subsidiary Trend Communications to the Jutland Telephone Company. The sale realised £1.08m and Jutland also took over bank borrowings of £660,000.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
Aspen Comms § ......fin	5.4	June 8	4.5	7.8	6.5
Austin Reed ......fin	6.5	-	6	9.5	9
Densitron ......fin	1.65	-	1.65	2.35	2.35
Dinkie Heel ......fin	0.6	July 2	0.35	0.95‡	0.57
English Nat Pref ......fin	11.05	June 20	8.85	15.8	13
English Nat Defd ......fin	8.6	June 20	6.4	10.9	8.1
Exmoor Dual IT ......int	2.35	-	2	-	8.1
Geers Gross ......fin	1	July 3	1	1	1
Helical Bar ......fin	7.6	July 2	5	10	5.8
Majedie Inv ......int	2.5	July 6	2	-	7.5
Prestwick ......int	0.5	June 8	0.5	-	1.5
Rea Brothers ......fin	0.25	-	0.25	-	0.5
T&S Stores ......fin	2.6†	-	1.625	4	2.625
Trans World § ......fin	8	-	6	12†	10
Trusthouse Forte ......fin	7.16	July 2	6.64	10.66‡*	8.4

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market. ‡For 15 months. ☆includes 1p special payment.

UK COMPANY NEWS

Interest costs and rising overheads lead to 14% drop at Austin Reed

By Jane Fuller

AUSTIN REED, the clothing manufacturer and retailer with considerable exposure in London and the south-east, saw pre-tax profits fall by more than 14 per cent to £6.93m for the year to January 31.

Sales advanced by nearly 8 per cent to £84.99m. Trading profit was static at £9.95m (£9.87m), helped by nearly £1m from property transactions, but this was was undone by interest costs of £3.02m (£1.76m).

Three quarters of group sales came from retailing, which takes in 43 shops in the UK and the Irish Republic and includes the Cashmere of Scotland shops in the US.

The 10 stores in London and the south-east, however, account for half the business, according to Mr David Anderson, finance director.

While sales of womenswear advanced by 8 per cent, the bigger menswear side only added 4 per cent. Mr Barry Reed, chairman, said this might be a sign that it was "women and children first when money got tighter."

But he also admitted that the menswear ranges might have been too traditional, with an image that was too senior and not exciting enough.

Margins had been eroded by rising overheads and price reductions to move stock.

In the manufacturing division, which includes Chester Barrie hand-tailored clothing and Stephens Brothers shirts, exports rose to £14.1m (£13.5m).

At Robertson of Dumfries, the knitwear concern, 80 people had been made redundant because of excess capacity.

After a property revaluation, gearing fell from 28 per cent to 23 per cent. Borrowings stood at £13m and the aim was to reduce them to £10m.

Mr Reed said the capital spending programme which had hit £7m in 1988 had fallen to £4m last year. This year it is expected to be £1.5m.

Earnings per share fell to 17.3p (18.7p). A recommended final dividend of 6.5p makes a total of 9.5p (9p).

Trevor Humphries

Barry Reed: the menswear ranges might have been too traditional, and not exciting enough

● COMMENT

Austin Reed is donning two coats to protect itself against the harsh UK retailing climate. The first is its assault on borrowings, made easier because its shop refurbishment programme is virtually complete. The second is an attempt to broaden the appeal of its menswear. Without alienating the 45 to 50-year-old average male customer, the aim is to lure in men as young as 25. But progress must be limited this year by the interest-rate pain inflicted on UK customers of all ages. A pre-tax profit forecast of £6.6m (assuming no help from property) gives a prospective multiple of just under 10, which offers no reason to buck the trend of caution towards retailers.

Le Corbusier takes cameo role as Geers Gross advances 47%

By Alice Rawsthorn

THERE ARE very few company chairmen who would sprinkle their preliminary statements with quotations from Le Corbusier, the founding father of modernist aesthetics, but Mr Bob Gross is one.

Mr Gross is after all the chairman of Geers Gross, an advertising agency. And ad agencies, as the City knows to its cost, are given to flights of fancy. Who else but a former creative director would quote Le Corbusier's "God is in the details" to illustrate the mundane matter of his company's financial controls?

Whether Le Corbusier would have approved of his cameo role in the chairman's statement of an advertising agency – still best known for the "Graded grains make finer flour" ads for Homepride flour that began in the 1960s – is anyone's guess.

Yet tighter financial controls, modernist or not, played a part in the 47 per cent increase, from £479,000 to £706,000, in pre-tax profits for 1989 announced by Geers Gross yesterday.

The company is recovering from heavy losses in 1987, when the problems of its US agency plunged it into the red.

The US business has been since sold and Geers Gross has cut costs at its London agency.

Earnings per share increased to 4.3p (3.17p) before extraordinary items. But the combination of a fall to £122,000 (£335,000) in the contribution from extraordinaries and the fact that it started to pay tax again reduced earnings per share after extraordinary items to 5.11p (5.38p). The shares rose by 3p to 28p yesterday.

Geers Gross' profit margins doubled – but only from 1 to 2 per cent, well below the industry average – in 1989. The board decided to hold the dividend at 1p.

The London agency suffered when clients postponed campaigns in the fourth quarter of 1989 and turnover fell to £36.53m (£41.08m). Mr Gross said the postponed campaigns ran in the first quarter of the year and Geers Gross won enough new business last year to boost its billings by about 25 per cent.

As a result, he said – possibly in allusion to the interest in mysticism that coloured Le Corbusier's later life – that the company would continue its "born again drive" for profits in 1990.

NEWS DIGEST

Aspen ahead 21% to more than £6m

PRE-TAX PROFITS at Aspen Communications increased 21 per cent from £4.96m to £6.02m in the year to end-December.

Mr Henry Meakin, chairman of this USM-quoted company, said it had been a year of very substantial change. Major businesses had been relocated and the group was now well positioned to increase its share of its markets.

Within communications and media, Spafax Airline Network had produced a good performance and radio communications enjoyed an excellent year, he said, with Cleartone's first cellular handportable being successfully launched.

In specialist printing Heanor Gate, acquired in April 1989, had performed particularly well, while the original Pensord Press business had made healthy advances in the second half.

The marketing services division also reported an excellent first-time contribution from Aspen Direct Marketing, he said.

Overall turnover was up 55 per cent to £58.72m (£37.76m) and after tax of £2.03m (£1.56m), earnings per 5p share came out at 32.9p (33.3p). By the year-end, gearing was reduced from 47 per cent to 18 per cent. The proposed final dividend of 5.4p makes a total of 7.8p (6.5p).

Exmoor Dual net assets lower

Net assets per income share at Exmoor Dual Investment Trust were 61.1p at February 28 1990 compared with 63.1p previously, and per ordinary share were 78.4p against 89.5p. Net assets per zero coupon preference share increased from 106.5p to 120.3p.

The trust reported a 10.5 per cent improvement in pre-tax profits to £580,166 (£524,810) for the half year, achieved on gross revenue ahead from £620,610 to £688,474.

Earnings worked through at 0.87p (0.76p) per ordinary share and 4.93p (4.35p) per income share. The directors are paying a second interim dividend of 2.35p (2p).

Densitron Intl slips to £1.11m

Profits at Densitron International, an electrical component manufacturer, fell by a further £200,000 in the second half to give £1.11m for 1989.

That compared with £1.63m in the previous year, after turnover showed little progress at £23m (£22.98m).

Earnings fell to 3.8p (5.49p) but the final dividend is again 1.65p for an unchanged 2.35p total.

There was an extraordinary loss of £214,000 on the disposal of the unprofitable microwave amplifier operation at Horndean and allied costs.

UK COMPANY NEWS

Slimmer Rea Brothers doubles to £1.2m

By David Lascelles, Banking Editor

REA BROTHERS Group, the City of London financial services company which is struggling to rebuild itself after a period of crisis, yesterday announced a doubling in profits.

In 1989, Rea made pre-tax profits on ordinary activities of £1.2m, up from £600,000 in the previous year.

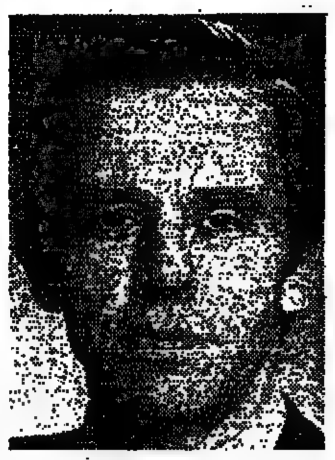
After tax and several exceptional and extraordinary items connected with the reshaping of the group, the profit was £1.8m, up from £1m.

Sir John Hill, chairman, said that the phase of senior management changes "is complete and we look forward to an improved performance over the forthcoming period."

Rea's problems began four years ago with an ill-judged acquisition in the Netherlands which brought large losses and forced a recapitalisation.

Then came a period of uncertainty following the death of Sir Walter Salomon, its principal owner and president. However, Sir Walter's heirs decided to retain their 46 per cent investment and support the development of the group.

The new management decided to sell off peripheral activities such as consumer finance and travel services and concentrate on banking and investment services for private clients, professional partnerships and small and medium-sized companies.



Roger Parsons: "we have now cleared the decks"

The group now has four core businesses: banking, investment management, trust and company administration and corporate finance based in London, Guernsey and the Isle of Man.

Mr Roger Parsons, the managing director who arrived in 1988, said: "We have now cleared the decks, and are laying the foundations for a successful business."

The bulk of last year's profit came from banking services where the group has a strong private base of personal deposits, particularly in Guernsey. The intention now is to expand the fee-earning side of the business.

Fund management is still operating at a loss because of high overheads. Mr Parsons said the division had set itself the target of trebling funds under management from their present level of "the low nine figures", though it was unlikely to return to profit this year.

Mr Parsons said the group's aim is to achieve a strong improvement in return on capital, which amounted to about 5 per cent last year.

He believed the possibilities were good given the impressive returns which the company's Guernsey operation was able to achieve.

Earnings per share worked through at 2.8p (1.59p). A proposed final dividend of 0.25p makes an unchanged total of 0.5p for the year.

Second-half lifts T&S to £6.65m

BENEFITING from second half trading ahead of budget and from gross margins improved in all product areas, T&S Stores turned in sales of £197.1m and pre-tax profits of £6.65m for the whole of 1989.

Christmas proved to be extremely busy, reported Mr Kevin Threlfall, chairman.

The year included a full contribution from the Supercigs business and six months from the Dillons/Preedy group, acquired in May for £54m and funded by a rights issue. Stores sold accounted for £1.4m turnover and £688,000 profit.

For 1988, the group as then constituted produced turnover of £129.6m and profits of £3.04m.

Mr Threlfall said the current year had started well, with sales and gross margin ahead of plan. While the first half would benefit from a windfall profit on increased tobacco duty, the overall impact of the Budget would not affect figures so significantly as in the past.

The group currently traded from 550 stores, comprising 300 traditional newsagents, 50 convenience stores and 200 Supercigs high street operations.

The 11 stores acquired last month in the north east would be converted into Supercigs and form the basis of a major expansion in that area. The first stage of integrating the Dillons/Preedy group was complete.

Earnings in 1989 worked through at 10.5p (9.89p) and the final dividend is the promised 2.5p on increased capital to make a 4p total (2.625p).

Trans World buoyed by Piccadilly purchase

By John Thornhill

TRANS WORLD Communications, the radio and leisure company formerly known as Miss World Group, increased pre-tax profits by 80 per cent to £4.56m in 1989, as it benefited from the acquisition of Piccadilly Radio.

The group's radio interests provided the main contribution to profits with £4.71m (£1.63m).

The contribution from Piccadilly Radio, finally acquired in April 1989 after a bitter £39m takeover battle, was not broken out.

But Mr Owen Oyston, chief executive, said the station had proved to be an excellent investment and had considerable potential for further growth. New management and reduced overheads had significantly increased the station's profitability although it had experienced severe problems in its advertising sales house, he said.

Trans World was twice investigated by the Takeover Panel concerning allegations of breaches of its rules during the bid for Piccadilly Radio. But on both occasions the Panel said it had found no evidence of any such breach.

The group also runs three other radio stations: Red Rose in Preston, Radio Aire in Leeds, and Red Dragon in Cardiff. Total listening hours across the group increased by almost 20 per cent making it the second largest radio group in the UK and it claims to have about 14 per cent of the total adult audience.

The Miss World pageant – no longer screened in the UK – was held abroad for the first time in Hong Kong and was televised in 50 countries.

The contest and related promotions, however, contributed far less to pre-tax profits with £248,000 (£789,000).

After a 10 year absence, the contest will be shown in the US this year. "America is one of the best beauty queen markets in the world," Mr Oyston said.

The commercial radio sector was unsettled earlier this week when Yorkshire Radio Network issued a profits warning due to falling advertising revenue. Trans World said it too remained cautious about the outlook for advertising given the economic climate.

But Mr Oyston said the group's prospects continued to be excellent and that it expected its advertising revenue to grow as its radio stations began transmitting on two frequencies. He added that Trans World intended to compete for a national radio franchise from 1991.

Group sales advanced to £12.72m (£8.41m). A recommended final dividend of 8p brings the total to 12p (10p). Earnings per share expanded to 32p (27.5p).

NEWS DIGEST

Dinkie Heel boosted by acquisitions

DINKIE HEEL, supplier of components to the footwear industry, did not manage to hold on to the advance shown at the interim stage when operating profits were more than doubled.

Nonetheless, it turned in a record set of results for 1989 with an advance to £418,000 from £283,000 at the pre-tax level.

Benefiting from a full year's contribution from Odell Components, Phillips Rubber and Enterprise Group, operating profits finally emerged at £560,000 (£338,000) from turnover of £7.95m (£3.55m).

After tax of £145,000 (£102,000) earnings come out at 2.33p on the capital increased by the February 1989 rights (1.84p). Total dividend jumps from 0.57p to 0.95p with a final of 0.6p.

Borland back in profit for year

Borland International, the USM-quoted designer and marketer of application software for microcomputers, achieved pre-tax profits of $15.52m (£9.5m) for the year to March 31, compared with losses last time of $2.77m.

Profits for the California-based company rose from $1.81m to $5.28m in the final quarter.

Net revenue for the year increased to $113.29m ($90.56m), with $34.84m ($25.92m) recorded in the last quarter. Operating profits worked through at $14.99m ($1.93m losses), and the pre-tax result was struck after interest received of $528,000 ($845,000 charged).

Tax of $3.18m (credit $500,000) left earnings at 99.9 cents (19.4 cents losses).

There is again no dividend proposed.

Pittencrieff gushes to £708,000

Pre-tax profits of Pittencrieff, oil and gas producer, rose almost twelvefold in 1989 from nearly £61,000 to £708,000 from turnover of £2.13m against £346,000.

Reflected in the sharp advance was the partial benefit from the Seahawk and Geovest acquisitions in July 1989.

Mr Terry Heneaghan, chairman, pointed out that the company had built up its assets and cash flow base over the past two years by acquiring producing oil and gas reserves in the US at relatively cheap prices and subsequently reducing administrative costs.

Mr Heneaghan said that underpinned by the past year's performance, the company had commenced the process of seeking a quotation for its ordinary shares in 1990. Currently the shares are dealt in on a matched bargain basis.

Earnings were 11.38p (2.36p) or adjusted 9.24p after tax of £20,218 (£3,334).

Hill Samuel makes purchase in US

Hill Samuel Investment Management Group, part of the Trustee Savings Bank group, is to buy Atlanta Capital Management Company, a US institutional investment manager, for an undisclosed sum.

The acquisition is the second in the US by Hill Samuel and brings funds under management and advice there to over $10bn. Atlanta has $1.6bn under management.

Sole auditor for United Biscuits

When United Biscuits (Holdings) was created in 1948, its joint auditors were Deloitte Plender Griffiths & Company and Lindsay Jamieson and Haldane.

Through four decades of accounting mergers, the relationship survived. The biscuits and snacks group's 1989 accounts, published yesterday, lists the original firms' ultimate successors, Coopers & Lybrand Deloitte and Ernst & Young, as joint auditors.

From this year, however, Ernst & Young will be sole auditor. UB said the change would simplify matters and reduce costs. Coopers will be retained for taxation advice and consultancy services.

UB's accounts also show that Sir Hector Laing's salary rose from £185,000 to £212,000 in his final full year as chairman.

He retires on May 10 after 17 years as chairman and 45 years with the group. The highest paid director, believed to be Mr Robert Clarke, chief executive and soon to be chairman, received £312,000 (£256,000) in 1989.

Prestwick halved to £527,000

Following the warning given in December, Prestwick Holdings has announced pre-tax profits halved to £527,000 in the half year ended January 31 1990.

The reduction stemmed from under utilisation of capacity caused by British Telecom deferring its capital expenditure programme. But there were now positive signs of an improvement in the order book and much effort was being devoted to ensuring that second half results exceed the first, said Mr Bill Miller, the chairman.

Alternative work from other major international customers had increasingly been obtained to utilise the capacity. That had contributed favourably to results for the opening two months of the current half.

Orders for the second half were broken down to:- computer and allied products 74 per cent; automotive 20 per cent; telecommunications 6 per cent.

The profit compared with £1.11m and was gained from turnover of £13.66m (£12.9m). Earnings were 1.5p (3.4p) and the interim dividend is held at 0.5p.

Correction AMEC

In the first edition of the Financial Times of April 12 a headline incorrectly stated that AMEC, the construction, engineering and property group, reported a fall in annual profits. AMEC's pre-tax profits advanced 48 per cent to £91.3m.

Nav slips at English National

English National Investment yesterday announced net asset values at March 31 of 319.2p per Preferred share and 244.2p per Deferred share.

The figures compared with respective values of 327.9p and 252.9p a year earlier.

Net revenue for the year amounted to £514,906 (£396,127). Earnings per Preferred share emerged at 16.34p (13.18p) and the dividend is raised to 15.8p (13p) via a proposed final of 11.05p.

The earnings figure for the Deferred shares worked through at 11.44p (8.28p) and a final dividend of 8.6p is recommended for a 10.9p (8.1p) total.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Drayton Consolidated Investment Trust, Fisher (Albert), Low (William), New Frontiers Development Trust.

Finals- Barry Birch & Noble, Daniels (S), Free State Consolidated Gold Mines, Frost, Great Southern, Lep, Liberty, Orange Free State Investment, River & Mercantile Geared Capital & Income Trust, Rockfort, Welkom Gold.

FUTURE DATES

Interims-	
Ashley Group	Apr. 24
Fenner	Apr. 25
Five Oaks Investment	Apr. 26
Principal Hotels	Apr. 27
Royal Bank of Scotland	May. 2
Shani	Apr. 24
Yorkshire Television	May. 23
Finals-	
Addison Consultancy	May. 15
Apollo Watch Products	May. 1
FR Group	Apr. 24
Hawthorn Leslie	Apr. 25
LIT	Apr. 27
Polymark International	Apr. 20
Tharsis	Apr. 25
Whatman	Apr. 24

TECHNOLOGY

In the first of a series on Japanese manufacturing successes, **Della Bradshaw** explains how a Sony innovation was developed to beat the competition

The camcorder cut down to size

In 1986 Japanese electronics manufacturer Sony realised that if it could make a miniature video camera then it could capture the lion's share of a potentially huge market. By the summer of 1989 the TR-55 camcorder was on the retailers' shelves.

At its launch the TR-55 camcorder — a combination of video camera and recorder — marked a significant size breakthrough. Just 176 mm (less than seven inches) in length, its predecessors looked like dinosaurs in comparison.

But, says Akira Shimazu, manager of product planning at Sony's personal video group, once the camcorder was on sale the company had only a year's grace before its rivals could produce an equally compact, if not smaller, product. "Making it for the first time is the difficult thing," says Shimazu. "Now we've proven that it can be done, following is easy."

This predicament is common throughout the Japanese electronics market. Sharp faced the same barrage of imitations when it introduced Japan's first electronic organiser, as did Toshiba when it introduced its Dyna Book book-sized portable PC (sold internationally as the T1000).

Dyna Book, launched in Japan in July 1989, took two years to develop. But by November NEC already had a rival product on the market. Sakae Yanagawa, Executive for Technology at Toshiba's Ome portable computer factory, says the lead times are getting shorter all the time.

"The time between you launching a product and your competitor's launch is getting shorter because very similar basic research and development is being done all the time in all the big companies," says Yanagawa.

Looking back on the process that produced the Sony TR-55, Yoshiharu Matsumoto, general manager of one of Sony's camcorder product divisions, says that it was the ability to call on the diverse research and development capabilities of the different Sony departments that made the project possible.

The rush to produce the TR-55 resulted from two pieces of market research done by Sony in 1986. The first revealed that 40 per cent of Japanese families with children under the age of five already had camcorders, so the market was reaching saturation point. The second showed that the growing number of Japanese tourists wanted a camcorder which was small and lightweight.

At the same time, an internal Sony competition to find a way of promoting its 8mm video technology — which uses 8mm wide tape in smaller cassettes than the more common VHS tapes — came up with two promising ideas. The first, the Video Walkman, a miniature television and video recorder; second, the hand-held camera and video recorder.

To determine the viability of the camcorder, the company set up a special project team of six engineers. Their job was to trawl the marketplace to check if any new components were coming on to the market and what parts Sony would need to produce in-house.

Eighteen months later the project team demonstrated a prototype and the TR-55 got under way. Five mechanical engineers joined the original research team drawing on experience from all of Sony's divisions.

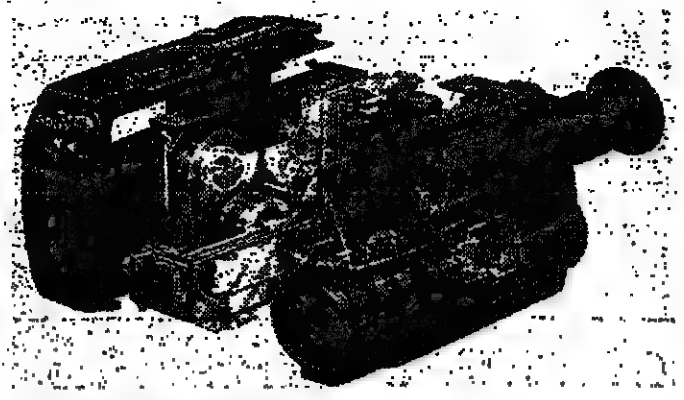
Matsumoto believes it was the successful combination of six or seven important technologies which resulted in the TR-55.

● The first was the mechanical deck, which holds the 8mm video cassette. To produce a deck so much smaller than existing models the Sony engineers had to increase the number of miniscule mechanical components.

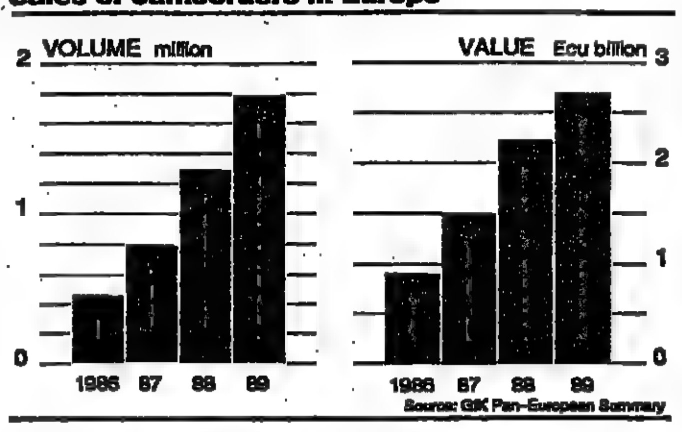
● The second was the lens and the charged coupled device (CCD) — the photo-electric circuitry which, when the light falls on it, transfers the picture on to the film.

The smaller the lens the smaller the amount of light it lets in. So in the TR-55, with a lens just 37mm inches across, almost one third smaller than ordinary lenses, Sony had to use an extra sensitive CCD to compensate for this lack of light.

The CCD had already been used as a secondary chip in larger camcorders, for use in gloomy or badly lit locations, but the Sony engineers recognised that they could exploit this as a way of reducing the lens size. As a result, instead of the normal f1.4 or f1.6 aperture on camera lens, the TR-55 has a f2.0 lens.



Sales of camcorders in Europe



Source: GfK Pan-European Summary

● The third was to cram as many chips on to the printed circuit boards as possible, by introducing a sandwich of three boards, with a total depth of 0.6mm.

With traditional circuit boards the chips and other components are fixed on the board and the "wires" connecting the components are printed on the surface between them. With the Sony development the chips are placed much closer together and the wires weave their way between the three boards, forming underground connections as well as surface ones.

Sony had already used the technique with printed circuit boards for its computer products, but they were digital. More difficult to design was the analogue version because of interference between the layers of boards.

With the more traditional approach the proportion of the board occupied by components is about 50 per cent; with this sandwich approach Sony increased it to 75 per cent.

● The fourth innovation was straight miniaturisation. The original project team spotted that tiny components were beginning to appear on the market. Many could be used in the project and others were developed by Sony in-house. The resistors in the TR-55, for example, measure a miniscule 1.6mm by 0.8mm, lopping more than a third off the size of more traditional components.

● Sony had to develop custom chips to carry out specific functions in the camera.

● To deal with such tiny components the company introduced new ways of mounting the devices — mounting them by hand was too clumsy. In the TR-55 almost 100 per cent of the components are machine mounted on the boards. To achieve that, Sony contracted electronic production companies to tailor machines for the camera project. For the special integrated circuits, produced by Sony's own chip division, machines were developed at Sony.

● The last development was three-dimensional computer aided design software, bought in by Sony to help model the camera and develop the smallest case. The software enabled the engineers to draw the camera on the screen in three dimensions and move the parts together to ensure that everything fitted inside the case.

A particular problem caused by the components being crammed together so closely in the case was over-heating. The software identified the affected areas by illuminating them in red, enabling the engineers to re-juggle the components within the case.

While perfecting the design for the rigid case Sony fed the data straight from the computer into a mould-making machine. This produced different models which Sony could play with until it came up with the optimum design. Now the computer data is fed directly to the companies making the case.

In spite of the vulture-like copying by rival manufacturers — Yanagawa calls it the Japanese "bad habit" — getting into the market first pays off. In its first nine months Sony sold 850,000 TR-55s, more than all the camcorders sold in West Germany, France and the UK throughout 1989.

But rivals are already creeping into the market. Fuji and Kyocera are selling almost identical models in the Japanese market, and Hitachi has a model which it claims is just two thirds of the thickness of the Sony TR-55.

The series will continue next Thursday.

Robot cart runs factory errands

A ROBOTIC cart that can trundle round a warehouse or factory and pick up the components needed to make eight different machines has been developed in West Germany.

The clever cart, developed by Datateam Datentechnik, of Nuremberg, is told what components are required for each product — and where to find them — by an infra-red beam, which carries information from the company's manufacturing computer.

The cart, which has a central pole with brushes on the top to draw electric power from an overhead track — similar to a funfair dodgem — then sets off from the parking bay to pick up the components. It does this using a robotic arm equipped with a video system to guide it to the components, so that they can be placed higgledy-piggledy on the shelves.

The cart has eight bins to carry parts for eight different products and built-in weighing scales to check that the correct part and quantity has been selected. Datateam is represented in the UK by consultants Total Logistics.

Executive fun and games

PLAYING computer games may seem more like work than play. But for managers on residential courses at the Ashridge Management College, in Hertfordshire, it is part of the executive workload.

They are being trained using a role-playing computer game called "Smash", which can be played by three to five teams. Each team is given its own "company" to run.

The software, written by the FI Group, of Hemel Hempstead, shows the company history, sales forecasts, latest set of results, and so on, displayed on the screen of an IBM personal computer. From the information, the students have to manage the company and compete with rivals in the marketplace.

The newspaper's talking point

A TALKING newspaper intended to give blind people the same daily dose of information as their seeing peers has been developed by the Royal National Institute for the Blind (RNIB) in London.

The project, now in its trial phases, broadcasts The Guardian newspaper using the spare capacity on the television airwaves alongside the teletext transmissions. The text is picked up by personal computers equipped with a decoder card and the data is stored on the hard disk.

When the newspaper has been transmitted, the user can call up a series of menus on the screen, such as the date of the paper or the type of topic — home news, sport or so on. A speech synthesiser reads out all the options. Once the required article is displayed, it reads that as well. The system can be operated by using just six keys.

No vacancy at the inn

THE Indian hotel chain, East India Hotels (Oberoi) Group, is enlisting the talents of an expert computer system to help it fill the rooms.

The computer system, which uses hardware and an artificial intelligence language from Texas Instruments, of Dallas, plus applications software from the Indian company DCM Data Products, copies the way a front office manager would do their job. If one hotel is particularly empty, say, the front office manager might decide to give a discount to travel agents.

The system was set up by interviewing the front office manager of the Oberoi New Delhi Hotel, who had more than nine years' experience in the hotel business. Through the interviews, rules were developed which encapsulated his expertise on forecasting and booking to optimise the room occupancy.

Giving patients the cold shoulder

A TREATMENT for rheumatism, which sounds more like torture than cure, is being introduced in West Germany.

The technique involves subjecting patients to temperatures of minus 180 deg C, about twice as cold as the coldest temperature found naturally on earth.

Doctors at the Immanuel Hospital in West Berlin will use a cryotherapy chamber fed by icy air, cooled by a Linit50 machine, from Sulzer, of Aldershot. It produces liquid air, which is stored in a vacuum insulated container and then used to cool the fresh air stream entering the chamber.

Patients spend only a few minutes in the chamber, three times a day, over a period of several months. The treatment, supporters claim, helps the body repair itself by relieving the rheumatic pain in the affected joints, so improving mobility. This helps restore damaged tissues.

WORTH WATCHING

by Della Bradshaw

Glowing reports about cabbages

CABBAGES which glow in the dark will soon find their way into a vegetable patch in Alabama, following the decision by the US Agriculture Department to allow a university department to plant greens impregnated with genetically engineered bacteria in open fields.

The botany and microbiology department of the University of Auburn, in Alabama, has genetically engineered a bacterium know as xanthomonas — which causes black rot in cabbage and broccoli. Scientists have impregnated the bacteria with the DNA of a marine micro-organism which is luminescent, so making the bacteria glow like a glow worm.

However, racy ratatouille is not on the menu. The aim of the project is to enable scientists to monitor the spread of black rot and to demonstrate that this sort of project is safe — not to provide the restaurants of Alabama with a new expensive delicacy.

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COMMODITIES AND AGRICULTURE

Oil prices fall steeply as Jeddah talks disappoint

By Steven Butler

OIL PRICES fell steeply again yesterday as markets registered disappointment at the outcome of crisis talks in Jeddah, Saudi Arabia, between oil ministers of Saudi Arabia, Kuwait, and the United Arab Emirates.

The meeting was called hastily following last week's plunge in oil prices and was reported to have produced informal pledges from Kuwait and the UAE for unspecified cuts in production. Oil traders, however, were unconvinced that any action would quickly reduce the surplus of ready supplies that are weighing on the markets.

North Sea Brent oil for June delivery fell by 45 cents in European trading to close at $16.30 a barrel. In the New York Mercantile Exchange, June futures for West Texas Intermediate crude were off 64 cents at $17.75 a barrel in midday trading, well below the psychologically important $18 benchmark.

Prompt cargoes were traded at a steep discount. May futures in New York fell 80 cents to $16.64 a barrel, while dated cargoes of Brent crude were approaching $15. These prices were not far above the lowest prices registered last week.

Excess production by Saudi Arabia, Kuwait, and the UAE accounts for the great majority of oil output over the production ceiling set by the Organisation of Petroleum Exporting countries. The ceiling was set at 22.1m barrels a day in November, while Opec is producing about 22m b/d.

A statement issued after the meeting through the official Saudi Press Agency said that Opec overproduction had caused the drop in oil prices. However, the ministers also appeared to blame high production by non-Opec producers.

"Producers outside Opec should also not increase production to benefit from the increase in prices when seasonal demand is high," the statement said.

It was not clear to which countries the statement referred. Co-operation between Opec and non-Opec producers became a dead letter last year when oil prices began to strengthen.

The basket of Opec crudes was reported to have fallen last week to $15.20 a barrel, compared to the Opec "minimum" reference price of $18.00 a barrel.

Prices at these levels cause considerable financial difficulty to a number of Opec members, some of which have expressed willingness to attend an emergency ministerial conference of all 13 members.

There was pessimism in oil markets yesterday that any significant action would be taken to curb oil supplies in advance of the scheduled May 25 meeting of Opec members.

According to Reuters, an Iranian newspaper yesterday blamed Saudi Arabia and "other clients of world imperialism" in the Gulf for the sharp fall of oil prices. It said Saudi Arabia was the "main culprit." These sorts of comments could indicate a stormy meeting in May.

The American Petroleum Institute late Tuesday night reported an increase in US crude stocks last week of less than 1m barrels. Although the increase was much smaller than last week's 8m barrel stock build, it shows that the surplus of US supply is not declining.

It remains over 51m barrels higher than a year ago. Refined product stocks, however, did post declines while refinery utilisation rose by over three percentage points.

The failure of crude prices to decline even further reflects continuing confidence in the markets that current price weakness is a temporary difficulty which will last for several months at most. This is borne out by steeply higher prices for forward delivery.

For example, July futures were trading in New York nearly $2 a barrel higher than May futures, while October futures were yet another dollar higher.

Spanish fishermen scuppered by Namibia

Peter Bruce explains the difficulties facing a traditional Galician maritime industry

A LOT of people in the Galician fishing port of Vigo have been living on their nerves for the past three weeks. The hillside city normally has 5,000 of its sons off on the high seas at any one time of the year manning Spain's deep sea fishing fleet.

Now, most of that fleet is either stuck in port or on its way home following a decision by the newly independent Government of Namibia to ban foreign ships fishing its waters from April 1 until a detailed survey of its remaining fish population has been carried out.

For the Spanish, it has been a bitter blow. "It is the most important fishing ground we have," says Mr Reinaldo Iglesias, co-director of Vigo's main trawler co-operative. Worse still, he admits, "there is no doubt that the arrival of so many ships together will cause the price of fish to fall."

About 80,000 townsfolk make their living indirectly off the fleet, mainly in processing plants. Pescanova, Europe's biggest fishing company, is based in Vigo. In theory, about 115 of Spain's 200-strong deep sea fleet had the right to fish off Namibia. Another 55 or so fish close to the Falkand Islands in the south-west Atlantic.

Following Namibian expulsion orders, about 30 big trawlers are expected back in Vigo in the next six to 10 days. The 28 already in port now have nowhere to go. About 10 were able to divert from Namibia to the Falklands and 14 have been chartered by a Namibian registered company. It could not be confirmed yesterday whether the charterer was a Pescanova subsidiary.

"There are no alternatives to Namibia," says Mr Iglesias. Like most fishermen, he is angry that the European Commission, which he says knew the Namibian authorities were going to extend their territorial waters to 200 miles and impose the ban, had not tried earlier to negotiate a new fishing agreement.

"This should have been spotted a long time ago," he said.

Promising worried fishermen he would try to do something, the Spanish Foreign Minister tried to raise the issue during the recent independence celebrations in Windhoek, but it is not certain that anyone was listening.

Spaniards each eat about 30 kilos of fish a year, one of the highest consumption figures in the world. Most of that fish is hake, or *merluza*, in which Namibia's waters abound.

Researchers say the Spaniards take more than half the hake caught off Namibia, but demand in Spain is nevertheless so great that hake imports – chiefly from Chile and Argentina – nearly tripled to 65,000 tonnes between 1986 and 1988.

Not surprisingly, the Namibians have become concerned about over-fishing by international fleets in their waters. The Soviets harvest a great deal of mackerel, the South Africans take sardine and new research has uncovered a sharp deterioration in the hake population, due largely to Spanish fishing.

Although hake can live up to 10 years, they are normally fertile between two and three years old. In 1977, more than 60 per cent of the hake caught off Namibia was past breeding but by 1988 about 80 per cent of the catch was under three years old.

This has meant that not only are fertile fish being caught but that, because they are smaller, more have to be caught to make up profitable tonnages. The EC Commission is preparing to talk to the Namibians about a new treaty which would allow the Spaniards back into the South Atlantic in force.

However, conscious that it has precious few natural resources and that the profits from most of them have not, until now, been invested back in the country, Windhoek will probably not be in a hurry to sign anything.

Cuba 'rectifies errors' to help citrus sales

Trevor Petch looks at efforts to boost exports after the changes in Eastern Europe

CUBA is confident that despite the disruption to its traditional citrus export markets in Eastern Europe and the USSR, it will be able to continue relying on steady demand from those countries while developing new trade links with market economies elsewhere.

According to Soviet sources, Cuba was last year unable to supply its agreed quota, representing about half of Cuba's citrus exports. It would appear that state purchases of citrus fruit in 1989 were 15 per cent down on 1988 at 823,000 tonnes.

At the end of last year, the non-arrival of Soviet and Polish vessels scheduled to make shipments resulted in the diversion of considerable tonnages to the domestic market.

Nevertheless, according to Mr Amado Alvarez Valdez, deputy Director General of Cubafrutas, the enterprise responsible for export trading, the fresh and processed citrus component of the Cuban-Soviet trade agreement for the current year has been fixed at higher levels.

In Eastern Europe, oranges – like bananas – have acquired the status of symbols of improved living standards. Given the low per capita consumption, Mr Alvarez considers that they will also provide a continued market for Cuban exports.

The policy of "rectification of errors" under way in Cuba – which emphasises party discipline and eschews market solutions – is intepreted by Cubafrutas as implying attention to fruit quality and increasing sophistication in developing new markets. The organisation is trying to develop new areas, such as counter-trade and joint ventures as well as better market research and advertising.

In the European Community, Cuban oranges have a small but secure market niche in the Netherlands. This is because of the community of Surinamese descent in Holland, who prefer the slightly green-skinned varieties common in the Caribbean to the brightly dyed produce found in most supermarkets.

Similar but smaller niches exist among the Afro-Caribbean communities of France and the UK. Mr Alvarez considers that the unified EC market may have limited potential for non-Community citrus exporters, because of the dominating presence of Spain within the EC. Grapefruit, however, is exported to a number of EC countries as well as Japan.

Cubafrutas is actively developing contact with the Canadian market, has begun exports to Yugoslavia, and seeks to increase sales in Japan. Three years ago, it began to ship oranges to China, which, like Cuba, conducts trade on a pre-planned basis. It also represents a market where an increase in consumption of one orange per year per capita would require 3m tonnes of oranges, according to calculations by Mr Alvarez.

Citrus processing began only in 1984 and represents a secondary priority intended mainly to utilise productively fruit of non-export quality. However, development and upgrading of capacity is planned to keep pace with fresh fruit production.

A thorough review of the whole process of production for export, including a programme to educate growers about markets and the importance of fruit quality, is being made as part of the policy of "rectification."

Mr Alvarez also emphasised flexibility of production. "To be an efficient exporter implies not working to annual plans: the market must be responded to immediately, and that is what is behind our work with the growers," he explained.

The main production areas are two big groves at Jaguey Grande in Matanzas province and the Isle of Youth. A total of 140,000 hectares have been planted to citrus, 80 per cent of the planned total, but the bulk of the groves are new. Cubafrutas estimates that when these have fully matured, production may reach four times the current level of about 1m tonnes. Future growth will be based on the use of improved cultivation rather than increased planting.

Costs are kept down by the use of students from special boarding schools as the main labour force for harvesting. The 40,000 hectare Jaguey Grande plantation – probably the largest single citrus area in the world – uses 8,000 full-time workers and 35,000 students, who ensure a continuous flow of agronomists.

Cuba's relatively stable climate means that one variety of citrus at least is being harvested throughout the year and in the absence of frost or serious disease or pest problems, hurricanes represent the only serious natural hazard to confront the industry.

Cubafrutas is also responsible for the export of other goods, including mangoes, guavas, sweet peppers and ornamentalplants. Pineapples – of which Cuba was once a considerable exporter – are likely to be a future target for investments, using new varieties that can be cultivated with mechanised techniques.

CUBAN CITRUS PRODUCTION ('000 tonnes)

	1984	1985	1986	1987	1988
Oranges	371	208	441	498	508
Mandarins	20	32	25	25	28
Lemons	48	60	59	75	57
Grapefruit	155	237	250	285	395
Other	5	10	5	5	5
TOTAL	599	747	780	886	981
EXPORTS					
Oranges	242	261	262	267	260
Mandarins	7	9	9	5	3
Lemons	15	18	17	23	15
Grapefruit	114	161	173	207	258
TOTAL	378	449	461	502	536

Source: Cubafrutas

Green costs of mining will outweigh political risks

By Kenneth Gooding, Mining Correspondent

THE RISING COST of environmental measures imposed in the industrialised countries might break down the reluctance of mining companies to invest in areas where political risks are high but costs are lower, the Economist Intelligence Unit suggests in its latest World Commodity Forecasts report.

It points out there is a discernible tendency for new mining and metal investments to be concentrated either in developed countries such as Canada or Australia or on a handful of Third World countries, notably Chile and Indonesia, that "are considered politically safe bets."

However, while the risks of mining the the Third World could well be seen as exceeding those of mining in "safe" countries by a wider margin than before, so too might the rewards. The effect of environmental legislation on mining and smelting costs is likely to be less in developing than in developed countries.

The EIU points out, for example, that the government of Papua New Guinea cannot afford to impose environmental standards on the huge Ok Tedi copper mine that might result in its closure.

"And Chilean and Peruvian smelters are reported to recover only between one third and a half as much sulphur dioxide as US smelters, a differential that could widen with more complete US compliance with the Clean Air Act."

The report also says: "One can be reasonably sure that the cost of metal production in the developed world is going to rise in the 1990s as environmental laws, on hazardous mining waste as well as smelters, get tougher."

Environmental factors will also affect demand, the EIU points out. Recycling will reduce demand for a number of non-ferrous metals while restrictions on the use of cars and incentives to make them from lighter materials, will increase.

"The environmental and political issues come together in a way that will impart the maximum of uncertainty to metal markets," the report concludes.

Jamaican output of bauxite up

By Canute James in Kingston

JAMAICA's bauxite production in the first three months of this year increased by 34 per cent over the corresponding period of last year to reach 2.59 m tonnes, according to the Jamaica Bauxite Institute, a state agency that monitors the activities of the industry.

Ore exports for the three months were 954,900 tonnes, which the institute said was 7,500 tonnes less than the first quarter of 1989. It said the decline "was due to a lag in the shipments to the USSR which we expect will be made up during the course of the year."

Jamaica supplies the Soviet Union with 1m tonnes of ore ayear. The institute reported alumina production for the first three months of 1990 at 679,137 tonnes, 41 per cent higher than the first quarter of 1989.

The increase has been attributed to output from a refinery, owned by Kaiser Aluminum and Hydro Aluminum, which was opened in March last year after being having been closed for three and a half years.

EC relaxes curbs to stamp out classical swine fever

By Tim Dickson in Brussels

RESTRICTIONS designed to stamp out classical swine fever in Belgium have been relaxed by the European Community's veterinary management committee.

The relaxations will afford some relief to hard-pressed Belgian pig producers, although calls for more substantial changes were firmly ruled out by most member states and the European Commission.

Up to yesterday 61 outbreaks of the disease had been reported to the authorities, the last handful in the immediate "surveillance" zone and attributed to movement by humans rather than by animals.

Mindful of the pressure exerted by its farm lobby, Belgium tried to persuade other members of the committee to reduce the size of the huge buffer zone where all movement and slaughter of pigs has been prohibited for the last month. That idea was rejected although it may be reviewed at the next meeting of the committee on May 2.

It was, on the other hand, agreed by majority vote that piglets in the buffer zone (which covers around 70 per cent of Belgium's pig production) can now be moved from breeding farms to fattening farms subject to prior clinical inspection, while pigs in the zone can now be sent to slaughterhouses provided they have a blood test the result of which is negative and a clinical examination.

As one expert in Brussels pointed out last night: "There is going to be a lot of work for Belgian vets."

WORLD COMMODITIES PRICES

MARKET REPORT

ROBUSTA coffee prices went into reverse in London yesterday after news that Brazilian coffee export registrations could open later this week. New York arabicas were well down by midsession. Traders said market feeling that Brazil could begin to ship out large quantities once export registrations were resumed put prices on the defensive. Export registrations were suspended with the March 16 abolishment of the IBC, although the registration process is expected to resume by Friday. "Brazil needs money too much to sit on the stocks that are accumulating. And the market is starting to realise that," said one New York analyst. On the LME three-month lead rose back above the £500 a tonne level, where traders believe it could attempt to consolidate, particularly if the recent increase in LME stocks comes to a halt. Copper was steady, but failure to close above $2,505 a tonne confirmed mildly bearish sentiment. However, low stocks on both sides of the Atlantic and concern over Peruvian supplies was likely to attract further supportive buying, analysts said. Tin closed at the day's high, the mildly bullish tone reflecting concern over Brazil's reduced output.

Compiled from Reuter

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$13.76-3.84x	-.325
Brent Blend	$16.28-6.32x	-0.45
W.T.I. (1 pm est)	$17.84-7.86x	-.575
Oil products (NWE prompt delivery per tonne CIF)		**+ or -**
Premium Gasoline	$210-212	-3
Gas Oil	$157-159	-½
Heavy Fuel Oil	$75-77	-2
Naphtha	$155-157	-3
Petroleum Argus Estimates		
Other		**+ or -**
Gold (per troy oz)♣	$375.25	+1.25
Silver (per troy oz)♣	512c	+5
Platinum (per troy oz)	$478.50	+0.25
Palladium (per troy oz)	$128.35	-0.15
Aluminium (free market)	$1500	+35
Copper (US Producer)	124c	
Lead (US Producer)	50c	
Nickel (free market)	400c	
Tin (Kuala Lumpur market)	17.37r	+0.12
Tin (New York)	305c	
Zinc (US Prime Western)	83c	
Cattle (live weight)†	113.38p	-0.69*
Sheep (dead weight)†	255.46p	-2.20*
Pigs (live weight)†	101.62p	+2.03*
London daily sugar (raw)	$359.6	
London daily sugar (white)	$440.5	-4.0
Tate and Lyle export price	£335.5	-6.0
Barley (English feed)	£107	
Maize (US No. 3 yellow)	£138.0	+0.5
Wheat (US Dark Northern)	£119y	
Rubber (May)♥	56.00p	-0.25
Rubber (Jun)♥	56.50p	-0.25
Rubber (KL RSS No 1 May)	228.5m	+0.5
Coconut oil (Philippines)§	$345z	-10
Palm Oil (Malaysian)§	$257.5	-7.5
Copra (Philippines)§	$232.5y	-12.5
Soyabeans (US)	£165.5	+0.5
Cotton "A" Index	83.20c	+0.05
Wooltops (64s Super)	562p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. x-Jun. t-May/Jun. u-Aug. v-Apr/Jun. w-Apr/May. z-Jun/Jul y-May. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
May	341.20	332.00	343.00 330.60
Aug	348.80	341.60	351.00 341.00
Oct	342.40	334.00	344.40 332.20
Dec	336.60	331.00	320.00
Mar	317.00	312.40	317.20 311.20
May	315.20	309.80	310.00
White	**Close**	**Previous**	**High/Low**
Aug	441.5	437.0	442.8 434.0
Oct	413.0	409.0	414.5 405.0
Mar	397.5	392.0	395.5 389.0
May	395.0		392.0
Aug	393.0		397.5
Oct	390.0		385.0

Turnover: Raw 6445 (4079)lots of 50 tonnes. White 1141 (701)
Paris- White (FFr per tonne): Aug 2480, Oct 2327, Dec 2248, Mar 2243, May 2233

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
Jun	16.40	16.75	16.65 16.30
Jul	16.79	17.24	17.13 16.78
Aug	17.20	17.57	17.40 17.20
Sep	17.53		17.55 17.53
IPE Index	16.99	17.03	

Turnover: 3555 (4007)

GAS OIL – IPE $/tonne

	Latest	Previous	High/Low
May	153.25	154.75	156.00 153.00
Jun	148.25	151.00	151.50 147.75
Jul	148.50	151.75	151.50 148.00
Aug	150.50	153.75	153.75 150.50
Sep	153.50	156.25	156.00 153.50
Oct	154.75	158.50	159.00 154.75
Nov	157.75	161.00	157.75
Dec	157.00	161.75	158.00 157.00
Jan	157.00	162.25	158.00 157.00

Turnover 8481 (4964)lots of 100 tonnes

WOOL

No sales have been made this week in view of Easter holidays. The signs before Easter were not encouraging. In Australia, the AWC was buying a little more, and British and New Zealand crossbred wool met with reduced demand also. Reluctance to hold stocks during the present textile downturn causes cautious buying. In the UK industry high interest rates keep activity low and the trade highly competitive.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
May	852	880	852 820
Jul	869	864	870 836
Sep	887	878	888 856
Dec	905	896	905 874
Mar	922	911	923 894
May	936	920	935 913
Jul	950	935	946 925

turnover: 9501 (6348) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Apr 17 1037.22 (1060.61) 10 day average for Apr 18 1021.21 (1000.80)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
May	687	716	706 685
Jul	688	712	705 687
Sep	699	723	715 697
Nov	713	738	726 715
Jan	723	750	745 722
Mar	739	763	758 744
May	757		761 758

turnover: 3479 (2250) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Apr 17: Comp. daily 76.38 (77.44). 15 day average 75.21 (74.92)

POTATOES – BFE £/tonne

	Close	Previous	High/Low
May	217.5	233.9	223.0 210.0
Nov	110.0	105.0	
Apr	150.0	150.0	151.0 147.0

Turnover 344 (250) lots of 40 tonnes.

SOYABEAN MEAL – BFE £/tonne

	Close	Previous	High/Low
Aug	126.50	124.50	126.50 125.50
Oct	129.50	128.00	129.50 128.50

Turnover 35 (25) lots of 20 tonnes.

FREIGHT FUTURES – BFE $10/index point

	Close	Previous	High/Low
Apr	1416	1439	1415 1400
May	1396	1428	1417 1390
Jul	1249	1281	1270 1249
Oct	1345	1385	1365 1350
Jan	1368		1375 1370
BFI	1444	1447	

Turnover 250 (137)

GRAINS – BFE £/tonne

Wheat	Close	Previous	High/Low
May	114.70	114.80	115.05 114.50
Jun	116.90	116.80	117.00 116.50
Nov	111.20	111.35	111.35 111.20
Jan	114.70		114.70
May	121.10		121.20 121.10
Barley	**Close**	**Previous**	**High/Low**
May	103.30	104.75	104.50 103.25
Nov	109.90	110.20	110.20 109.90
Jan	113.15	113.45	

Turnover: Wheat 201 (110), Barley 21 (32). Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Apr	125.0	125.0	
Jun	122.3	122.5	122.5
Oct	119.0	119.0	118.5
Nov	118.5	118.5	

Turnover 40 (16) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 17,160 tonne
Cash	1501-3	1474-9		1501-3		
3 months	1515-6	1492-5	1525/1500	1515-6	1525-7	41,883 lots
Copper, Grade A (£ per tonne)						Ring turnover 45,550 tonne
Cash	1639-40	1643-8	1640/1636	1639-40		
3 months	1552-3	1550-1	1558/1543	1552-3	1560-1	72,888 lots
Lead (£ per tonne)						Ring turnover 9,150 tonne
Cash	517-8	486-7	516	517-8		
3 months	502-3	483-4	503/490	502-3	502-3	10,469 lots
Nickel ($ per tonne)						Ring turnover 2,172 tonne
Cash	8650-60	8650-700	8675/8645	8650-60		
3 months	8490-500	8450-80	8490/8450	8490-500	8425-60	7,352 lots
Tin ($ per tonne)						Ring turnover 865 tonne
Cash	6520-30	6460-500	6520/6515	6520-30		
3 months	6625-30	6580-600	6650/6630	6625-30	6645-50	6,547 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 10,525 tonne
Cash	1641-2	1637-42	1642/1640	1641-2		
3 months	1593-4	1589-5	1602/1585	1593-4	1592-5	17,728 lots

LME Closing £/$ rate: SPOT: 1.6295 3 months: 1.6032 6 months: 1.5795 9 months: 1.5540

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	375-375½	228¾-229¼
Opening	374¾-375¼	229-229½
Morning fix	374.70	229.244
Afternoon fix	374.75	229.163
Day's high	375½-376	
Day's low	374-374½	

Coins	$ price	£ equivalent
Mapleleaf	383-388	234-237
Britannia	383-388	234-237
US Eagle	383-388	234-237
Angel	383-388	234-237
Krugerrand	374-377	228¼-230¼
New Sov.	88-90	53½-55
Old Sov.	88-90	53½-55
Noble Plat	484.25-491.90	295.60-300.30

Silver fix	p/fine oz	US cts equiv
Spot	311.45	509.25
3 months	323.10	519.85
6 months	335.55	531.25
12 months	360.00	554.15

TRADED OPTIONS

Coffee	Jul	Sep	Jul	Sep
650	63	18	25	32
700	37	54	40	55
750	21	36	69	88
Cocoa	**Jul**	**May**	**Jul**	**May**
800	85		16	
850	53	80	54	43
900	32	56	63	69
Brent Crude	**Jun**	**Aug**	**Jun**	**Jul**
1700	19			76
1750	10	70	108	
1800	4	48	160	

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Apr	376.1	375.2	376.5	374.8
May	377.3	376.4	377.5	377.5
Jun	379.7	378.8	380.8	377.7
Aug	384.5	383.5	385.2	383.7
Oct	389.4	388.3	389.0	388.0
Dec	394.2	393.0	394.7	392.6
Feb	399.2	397.9	397.8	397.8
Apr	404.0	402.6	0	0
Jun	409.1	407.7	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Apr	506.5	509.3	0	0
May	507.8	510.8	512.5	506.0
Jun	512.0	515.0	0	0
Jul	516.1	519.1	521.0	514.5
Sep	524.6	527.7	529.0	524.0
Dec	536.6	539.7	541.5	535.0
Jan	540.3	543.4	0	0
Mar	548.4	551.5	553.5	553.0
May	556.6	559.7	0	0
Jul	565.0	568.1	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Apr	118.70	119.00	119.30	118.30
May	116.20	116.25	117.40	114.80
Jun	112.80	112.50	0	0
Jul	109.70	109.60	111.10	108.60
Aug	107.75	107.50	108.80	108.50
Sep	106.00	105.70	106.70	105.90
Oct	104.80	104.60	0	0
Nov	103.70	103.30	0	0
Dec	102.70	102.30	103.20	102.20
Jan	101.90	101.50	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
May	16.77	17.44	17.20	16.60
Jun	17.86	18.39	18.19	17.70
Jul	18.56	19.05	18.90	18.44
Aug	19.06	19.46	19.32	18.93
Sep	19.38	19.76	19.87	19.30
Oct	19.60	19.89	19.80	19.50
Nov	19.62	19.89	19.80	19.52
Dec	19.62	19.89	19.80	19.52
Jan	19.65	19.88	19.79	19.60
Feb	19.70	19.87	19.70	19.70

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Apr	477.1	478.1	480.0	477.0
Jul	482.1	483.1	486.5	481.0
Oct	487.6	488.6	489.5	486.4
Jan	493.6	494.6	0	0
Apr	499.7	500.7	0	0
Jul	505.7	506.7	0	0

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
May	5260	5420	5360	5250
Jun	4990	5097	5075	4980
Jul	4995	5092	5040	4980
Aug	5090	5179	5140	5050
Dec	5460	5570	5516	5465

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
May	1273	1259	1286	1246
Jul	1299	1285	1316	1278
Sep	1314	1301	1330	1300
Dec	1331	1317	1346	1315
Mar	1344	1331	1354	1328
May	1355	1344	1364	1340
Jul	1374	1363	1355	1355

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
May	92.99	95.98	95.20	92.80
Jul	94.89	97.86	97.20	94.85
Sep	97.00	99.76	98.90	96.90
Dec	99.50	102.10	101.40	99.50
Mar	101.85	104.40	103.25	102.50
May	103.63	105.85	105.50	105.50
Jul	106.25	108.00	0	0
Sep	107.50	110.25	108.90	108.90

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	15.40	14.92	15.49	14.99
Jul	15.09	15.22	15.69	15.22
Oct	15.34	14.97	15.47	14.98
Mar	14.42	14.21	14.51	14.19
May	14.24	14.04	0	0
Jul	14.02	13.90	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
May	73.07	74.05	74.25	72.50
Jul	72.76	73.80	73.95	72.45
Oct	68.30	68.38	69.10	68.25
Dec	66.15	66.10	66.68	66.10
Mar	66.85	66.78	67.17	66.92
May	67.20	67.06	67.25	67.15
Jul	67.15	67.00	67.50	67.15

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	194.10	195.20	196.00	193.60
Jul	192.70	193.85	193.60	192.50
Sep	188.10	189.65	189.00	188.10
Nov	181.45	181.80	181.00	181.00
Jan	176.00	175.55	176.50	175.50
Mar	176.05	175.25	176.50	175.25
May	175.55	174.75	0	0
Jul	175.55	174.75	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Apr 18	Apr 17	mnth ago	yr ago
1921.3	1926.9	1910.6	2021.7

DOW JONES (Base: Dec. 31 1974 = 100)

	Apr 17	Apr 16	mnth ago	yr ago
Spot	135.41	135.68	133.98	138.11
Futures	133.76	133.78	133.78	138.64

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
May	594/2	598/4	600/4	594/0
Jul	608/2	610/6	614/6	608/0
Aug	613/4	615/6	619/4	613/2
Sep	614/6	616/6	619/4	614/4
Nov	621/0	623/4	626/0	620/4
Jan	630/4	633/4	636/0	630/4
Mar	641/4	644/0	646/0	641/0
May	649/4	652/0	653/0	649/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
May	171.0	170.8	172.5	171.0
Jul	175.8	175.8	176.9	175.6
Aug	178.2	177.7	179.2	177.8
Sep	180.0	179.7	181.0	179.9
Oct	182.0	181.2	182.7	181.8
Dec	186.1	185.5	187.0	185.5
Jan	187.8	187.0	188.5	187.5
Mar	192.8	193.0	192.8	192.8

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
May	273/6	274/0	275/4	273/4
Jul	275/2	275/6	277/4	275/0
Sep	269/6	270/0	272/2	269/4
Dec	265/6	267/0	268/2	265/4
Mar	271/2	272/4	273/2	270/6
May	273/6	275/0	276/0	273/4
Jul	276/2	277/0	278/0	276/2

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
May	365/2	364/6	367/0	364/4
Jul	341/2	342/6	343/0	341/0
Sep	347/0	348/6	348/6	347/0
Dec	359/6	360/6	361/0	359/2
Mar	364/6	366/0	366/0	364/4
Mar	370/0	370/0	370/4	366/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Apr	79.87	79.72	79.92	79.60
Jun	73.47	73.37	73.65	73.37
Aug	72.57	72.52	72.72	72.47
Oct	73.95	73.95	74.10	73.92
Dec	74.05	74.05	74.25	74.02
Feb	74.10	74.05	74.25	74.10
Apr	74.37	74.30	74.60	74.30

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Apr	56.80	56.45	56.85	56.12
Jun	60.37	60.05	60.47	59.82
Jul	59.85	59.77	60.05	59.50
Aug	58.00	58.05	58.15	57.67
Oct	52.32	52.62	52.75	52.20
Dec	51.35	51.62	51.75	51.35
Feb	50.47	50.82	50.60	50.25
Apr	47.10	47.00	47.15	46.85

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
May	59.42	60.20	59.65	58.52
Jul	59.72	59.35	59.90	58.77
Aug	58.47	58.27	59.65	57.75
Feb	58.77	60.70	60.50	58.72
Mar	58.70	60.70	59.10	58.70
May	58.70	60.50	0	58.70

LONDON STOCK EXCHANGE

Market challenges Footsie 2,200

OPTIMISM suddenly went out of fashion in the London stock market yesterday and share prices reversed early gains to slip into potentially difficult territory as traders grappled with the effects of a mixed bag of economic data from both sides of the Atlantic.

After tracing an erratic course, the FT-SE Index closed at 2,205.9, the lowest figure since November 22, abandoning its nearest chart support level and raising the prospect that the 2,200 mark could be challenged this morning.

While trading volume remained relatively light, with the Seaq total at 349m shares against 253m on Tuesday, there were indications that some institutions were lightening portfolios of beta and gamma stocks, the less prominent equity names traded on the London market. The revived concern over the corporate outlook featured a new selling bout in Carlton Communications, and market morale was not helped by widespread reports of more staff departures from more than one City of London securities firm.

The equity market's poor performance contrasted with an initially favourable view of the day's batch of economic statistics. On the domestic front, the news of a 1.4 per cent fall in retail sales in March was welcomed as evidence that high interest rates are at last curbing consumer spending. But the announcement of a year on year rise of 7.2 per cent in March unit wage costs while February's industrial output had dipped 0.7 per cent, raised fears of stagflation in the UK.

The day's main event – a fall in the US monthly trade deficit to $6.49bn in February – proved equally double-edged. The fall was not large enough to please the super-optimists, who had predicted a deficit of only $5bn, and Wall Street shares began to turn down.

The final reading on the FT-SE Index showed a net fall of 8.6 points but this contrasted with a gain of more than 9 points in early trading when a strong premium on the Footsie June futures contract led the underlying market ahead. The market was already well off the top when the US trade figures news produced another equally brief and much smaller rally. At the end of the session, London was following New York, which showed a fall of 14 Dow points in London hours.

Among sectors displaying a downturn in confidence were UK bank stocks, which reacted to this week's disclosures of dangers to their domestic corporate loan books.

"The market suddenly became aware that not everything is rosy out there," commented Mr Bob Semple at County Natwest, the UK investment bank. He expects a "serious test of the FT-SE 2,200 level", although he still believes the market's downside potential is probably limited.

Account Dealing Dates

First Dealings:		
Apr 9	Apr 30	May 10
Option Declarations:		
Apr 26	May 10	May 24
Last Dealings:		
Apr 27	May 11	May 25
Account Day:		
May 8	May 21	Jun 4

*New time dealings may take place from 9.00 am two business days earlier.

Further Carlton setback

CARLTON Communications, one of the worst performers of the FT-SE index constituents over recent weeks, was given another pasting as the market absorbed a further series of potentially damaging rumours. Carlton declined to comment.

Analysts cut their profits forecasts last month after news that the company was selling its Cosworth engineering subsidiary to Vickers for £163.5m. Carlton's shares fell yesterday to a low of 469p before staging a rally to close a net 48 off at 481p. Turnover totalled a higher than usual 3.4m shares.

Marketmakers said the shares had been hit when one leading US investment house pulled out after being a supporter of the stock. The withdrawal of this buyer was accompanied by some significant US selling which put the shares under pressure and triggered much of the speculation that followed.

There were a number of speculative reports in the market. Dealers said that Carlton was among potential bidders for two blocks of shares of 27 per cent apiece in Thames TV, the UK commercial television franchise holder, put up for sale by Thorn EMI and BET. There were also suggestions that Carlton's Paintbox subsidiary had some trading difficulties; two other companies are challenging the patent on Paintbox. There were also reports that Technicolor, another Carlton subsidiary, might lose a contract to copy videos for CBS/Fox.

Muted response

Trusthouse Forte (THF), the hotels and leisure group, revealed profits for the 15-month trading period in the middle of the market range of forecasts, and the shares made a muted response. After initially hardening to 262p, they slipped to close 5 off on the session at 256p with turnover a disappointing 1.5m.

THF changed its accounting period last year and yesterday disclosed pre-tax profits of £291m for the period covering November 1988 to January 1990. Profits for the twelve months to January 1990 equated to £260m, against £232m previously, and compared with market estimates of between £250m and £282m.

Analysts said the outlook for the group's London hotels was promising and there was also the prospect of satisfactory growth in both the European and US hotel divisions, and in its catering businesses. But specialists were cautious on the outlook for THF's provincial hotel trading.

Analysts generally nudged higher forecasts of profits for the current year, with the Kitcat & Aitken leisure team moving from £278m to £280m, including property profits. Kitcat said the shares "look solid value – there is almost a case for saying they deserve a premium because of the lack of unpleasant surprises in these figures, which is what has been happening elsewhere recently in the hotels/leisure industry."

Polly Peck better

Polly Peck, the food, electronics and leisure group, improved 4 to 413p as Goldman Sachs brought out a positive report which anticipated a corporate restructuring. Mr Phillip Dorgan of Goldman Sachs believed Polly Peck is close to announcing such a move, which is likely to focus on its electronics arm. This could involve injecting Polly Peck's international electronics interests into Sansui, its recently-acquired Japanese consumer electronics division. In addition, Polly Peck may seek a US listing for its food concerns.

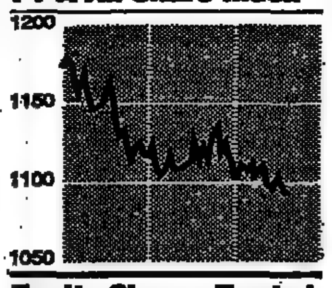
Mr Dorgan believed such a move could result in a revaluation of Polly Peck. The company's strong fundamentals would underpin a rise in the share price.

Pharmaceutical stocks were generally softer in continued reaction to the uneasiness over the outlook for leading world interest rates and currencies.

Glaxo fell 15 to 796p, with the overnight upturn in the Tokyo market not sufficient to calm fears that Glaxo could suffer from selling by the Japanese funds, which are substantial holders of the stock.

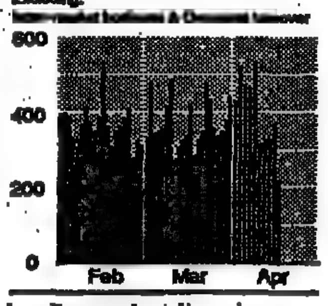
Shares in Glaxo were also recommended recently by the pharmaceuticals team at County Natwest, which stresses the group's presence in the market for anti-asthma drugs. The world market for such drugs was estimated at £2,150m and showing groqth rates well in excess of the rest of the global drugs market.The County team takes a positive view of Glaxo's position in this field, stressing the recently announced rapid approvals for Zofran and Flixonase, whicxh it says demonstartes the professional way in which Glaxo handles product licensing.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: Intra-market business & Overseas turnover



Wellcome, down 11 at 678p, was also out of favour for not dissimilar reasons. The shares, also widely held in Japan, offer one of the lowest dividend yields among the FT-SE 100 stocks, and have been challenged recently by reports that Glaxo, via a joint project with a Canadian company, may be about to launch a rival to Retrovir, Wellcome's well regarded anti-Aids drug.

There was little activity in BAT Industries (723p) as traders awaited the next move in the group's battle against the threatened takeover by Hoylake, the investment vehicle led by Sir James Goldsmith. Reuters (1158p) shaded easier in cautious trading, not helped by the uncertainties in the New York market.

A banks sector already suffering from the effects of growing concern over the British & Commonwealth affair, came under some heavy fire in mid-afternoon as the market picked up hints that one of the leading UK investment houses was about to cut their profits estimates for the "big four" banks. Also upsetting sentiment was some aggressive selling by US investment houses after a run of poor first-quarter results from several of the US banks.

In keen two-way trading Barclays lost 15 to 550p, after 549p, on turnover of 4.4m, while Lloyds fell 13 to 261p on 3.7m, NatWest 12 to 334p on 3.1m and Midland 7 to 318p on 360,000.

London Forfaiting, where British & Commonwealth has a 40 per cent stake up for sale, ran back 6 to 64p.

News of an earthquake in San Francisco jolted composite insurers. Commercial Union, also hit by switching out of the stock and into Sun Alliance or General Accident, fell 11 to 463p. There was also switching out of Guardian Royal Exchange into General Accident, although the latter settled 6 off at 1001p. Royal Insurance shed the same amount to 455p.

Redland moved up 8 to 559p ahead of an analyst's visit to its West German operations. Blue Circle rose 5 to 221p on good turnover of 3.2m after some determined buying by one institution.

Anglia Secure Homes, the sheltered homes builder in which British & Commonwealth has a 23.4 per cent stake, declined 3 to 79p. Finlan Group slumped 13 to 19p after the warning that it would record a substantial loss for the year to end-March.

British Aerospace rose to 530p before closing 3 up on balance at 527p, still reflecting Tuesday's news of a cross share holding deal between subsidiary Rover Group and Honda. An order for the BAe 146-200 jet from Chile worth $25m also helped sentiment, and there was vague talk of further new Airbus orders, for which BAe builds the wings.

Smiths Industries gained 5 to 231p, with SG Warburg Securities reported to have been shopping for stock. Warburg was also said to have shown a keen interest in TI, which added 8 at 454p – the company has been holding meetings with analysts.

Vickers closed 5 lower at 218p as prospects faded for the demerger of Rolls-Royce Motors from Vickers.

The stores sector was buoyed by renewed speculation in Next, the fashion retailing and mail order company, which last week announced a larger than expected loss for 1989. Talk that Sears could launch a bid was replaced with speculation concerning Great Universal Stores.

Mr Nick Bubb of Morgan Stanley said he believed a bid by GUS was unlikely as it would run into problems of monopoly market share. He thought a takeover by Sears was possible, although not just yet. Other candidates could be a European mail order company or some form of management buyout. Next firmed 1½ to 73½p, Sears ½ to 89½p, but GUS "A" shed 7 to 928p.

"Good two-way business," according to one trader, was noted in Grand Metropolitan and the shares ended little changed at 579p after turnover of 4.6m. There is now a feeling among traders that the recent pub swap deal with Elders may not be referred to the UK Monopolies and Mergers Commission.

Guinness bounced from recent dullness, the shares adding 5 at 652p.

Christies International, the auctioneer, put on 3 to 334p as ADT, the security services and car auction group, declared an increased stake in Christies issued ordinary shares of 15.1 per cent, up from the previously announced 10.6 per cent.

ADT said earlier this month it had no plans to bid for Christies unless a competitive situation arose. ADT closed a shade easier at 185p.

A stock shortage in Wassall helped the shares firm 5 to 212p, while ECC Group hardened 2 to 372p as favourable sentiment on the appointment of Mr Andrew Teare to be the next chief executive continued.

Shares in Walter Runciman, the security equipment and transport group, were marked sharply higher by 95 to 638p as the company rejected an increased offer from bidder Forvaltnings AB Avena (Avena), the Swedish property concern. Turnover, at 24,000 shares, was meagre, although dealers pointed out that it is a thinly traded stock.

The new 625p a share cash offer values Runciman at £57.4m, almost £10m above the total value of the original 520p a share bid made in February.

Avena said yesterday it owns or has received bid acceptances or undertakings to accept the offer representing 38.2 per cent of Runciman's issued share capital.

Mr Mark McVicar at County NatWest said the increased offer and acceptances now represented a "finely balanced situation." He, however, believes "a little more will be needed to secure control, something in the region of 650p to 675p a share."

NFC was the only other notable spot among transport stocks as the shares regained 3 to 129p after recent weakness.

Renewed buying early in the session left BOC 4 firmer at 519p after turnover of 910,000 shares. MTM and Wardle Storeys were also favoured, the former adding 4 at 213p and the latter 6 at 281p. Lack of interest, however, lowered Laporte 6 to 522p.

Brent Walker endured an uncomfortable session, the shares dropping 14 to 273p in keen turnover as dealers suspected that a profits downgrade by a leading brokers was imminent.

The shares have fallen sharply recently as sentiment in the leisure sector has been dented by poor results from Mecca. The latter were a fraction harder at 69p, with turnover of 8.6m boosted by two big trades, one of 4.1m shares and another of 4m, believed to have been an agency cross.

Frogmore Estates receded 20 to 385p as hopes of a bid from Markheath Securities, holders of a 26.8 per cent stake, began to fade. UK Land dipped 40 to 345p following adverse press comment.

Hammerson was supported ahead of the final results due next Monday, the "A" shares closing 10 higher at 761p. Mr Alan Carter of Charterhouse Tilney estimated Hammerson would reveal net assets equal to 1180p per share for 1989, against 1058p last time.

Helical Bar gained 9 to 269p following better-than-expected final results. Helical's net asset value increased to 429p per share, compared with 301p last year and analysts' expectations of 410p. Analysts said that although the company was highly geared, its debt was capped. Furthermore, it had a high yielding portfolio. One analyst commented: "Helical is well on the way to a net asset value this year of over £5."

■ Other Market statistics, including the FT-Actuaries share index, Page 30

FINANCIAL TIMES STOCK INDICES

	April 18	April 17	April 12	April 11	April 10	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	75.56	75.68	76.31	76.70	76.67	86.82	84.20 (2/1)	75.56 (18/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	85.55	85.69	85.85	85.76	85.96	97.29	92.91 (8/1)	85.12 (23/3)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1732.6	1736.3	1741.0	1733.3	1732.5	1718.7	1969.3 (3/1)	1732.5 (10/4)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	248.0	250.6	248.8	249.0	254.8	188.5	378.5 (6/2)	248.0 (18/4)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2205.9	2214.5	2222.1	2215.5	2217.5	2087.0	2463.7 (3/1)	2205.9 (18/4)	2463.7 (3/1/90)	986.9 (23/7/84)

	April 18	April 17	April 12	April 11	April 10	Year Ago
Ord. Div. Yield	5.16	5.15	5.13	5.16	5.16	4.52
Earning Yld %(full)	11.93	11.90	11.86	11.93	11.93	10.96
P/E Ratio(Net)(☆)	10.20	10.21	10.24	10.19	10.18	11.01
SEAQ Bargns 4.45pm	19,557	19,214	19,596	18,961	19,993	27,721
Equity Turnover(£m)†	-	435.96	1029.68	1409.15	577.54	1456.03
Equity Bargains†	-	19,029	20,012	19,285	20,391	31,134
Shares Traded (ml)†	-	218.9	363.2	332.6	323.1	566.9

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55 Basis 1000 FT-SE 100 31/12/82. ☆ Nil 10.10

Ordinary Share Index, Hourly changes Day's High 1746.7 Day's Low 1732.6

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1737.4	1737.6	1746.7	1743.3	1743.3	1741.3	1743.3	1741.9	1734.0

FT-SE, Hourly changes Day's High 2223.9 Day's Low 2205.7

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2216.1	2216.4	2223.7	2219.7	2220.0	2216.9	2219.2	2217.5	2206.9

GILT EDGED ACTIVITY

Indices*	April 17	April 12
Gilt Edged Bargains	71.6	68.7
5–Day average	68.4	71.1

*SE Activity 1974. †Excluding Intra-market business & Overseas turnover. Calculation of the FT Indices of daily Equity Bargains and Equity Value and of the five-day averages of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 28 available on request.
London report and latest Share index: Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change
ADT	782	185	−½
ASDA Group	4,400	100	−1
Abbey National	3,400	190	
Allied-Lyons	2,100	425	−1
Amstrad	4,400	77	+1½
Anglian Water	2,000	143	+2
Argos	1,500	203½	+½
Argyll Group	1,000	209	+2
Ass. Brit. Foods	73	388	−2
BAA	823	379	
BAT Inds.	1,100	723	−1
BET	1,300	219	−1
BICC	949	428	+8
BOC	910	519	+4
BPB Inds.	48	220	
BTR	1,000	421	−1½
Barclays	4,400	550	−15
Bass	609	935	−4
Beazer	460	144½	−½
Berisford Int.	250	141	
Blue Circle	3,200	221	+5
Boots	2,100	282	+1
Brit. & Comm.	6	53	
Brit. Aerospace	971	527	+3
British Airways	1,200	208	−1½
British Gas	4,400	208	−1
British Land	795	369	+3
BP	3,200	317	−2
British Steel	1,800	143	−½
British Telecom	2,300	265½	−½
Bunzl	12	89	−1
Burmah Oil	113	619	−5
Burton	1,500	160	
Cable & Wire.	581	513	
Cadburys	328	329	−1
Calor Group	72	282	−4
Carlton Comms.	3,400	481	−48
Coats Viyella	2,400	116	−6
Comm. Union	1,800	463	−11
Cookson	511	182	−3
Courtaulds	1,000	306	−1
Dalgety	290	372	−7
Dixons	1,100	117	+2
ECC Group	290	372	+2
Enterprise Oil	59	600	−2
FKI	4,200	70	−4
Ferranti	6,500	43	−1½
Fisons	958	341	+2½
Gen. Accident	692	1001	−6
General Elect.	1,700	195½	−½
Glaxo	2,700	795	−15
Globe Inv.	603	172	+1
Glynwed Int.	590	252	
Granada	304	252	−3
Grand Met.	4,600	579	−1
GUS A	187	928	−7
GRE	2,000	224	
GKN	354	412	−2
Guinness	637	652	+5
Hammerson 'A'	454	761	+10
Hanson	7,300	229¼	−2
Hanson Warrants	42	54	
Harrisons Cros.	774	156	+1
Hawker Sidd.	519	607	+5
Hillsdown	2,600	240	+2
IMI	48	230	
ICI	535	1063	−6
Inchcape	308	257	+3
Kingfisher	829	294	+6
Ladbroke	732	291	+3
Land Securities	780	491	−1
Laporte	217	522	−6
Legal & General	497	[illegible]	
Lloyds Abbey	187	302	+1
Lloyds Bank	3,700	261	−13
LASMO	311	679	
Lonrho	736	299	
Lucas	993	604	+1
MB Group	801	195	−1
MEPC	159	511	−1
Manpower	15	88	
Marks & Spencer	3,100	201	+2
Maxwell Comm.	558	194	−1
Mecca Leisure	8,600	69	+1
Midland Bank	360	318	−7
NatWest Bank	3,100	334	−12
Next	2,300	73½	+1½
North West Water	1,300	141	
Northern Foods	699	297	
Northumbrian Water	292	159	+3
Pearson	77	679	+4
P & O	1,200	579	+5
Pilkington	907	207	
Polly Peck Intl.	2,400	413	+4
Prudential	1,000	197½	+½
RHM	1,100	379	−4
RMC	367	623	+7
RTZ	663	539	−1
Racal	1,100	188	−1
Racal Telecom	399	349	+2
Rank Org	379	728	
Reckitt & Colman	205	1150	+7
Redland	650	559	+8
Reed Intl.	1,100	389	
Reuters	234	1157	−2
Rolls Royce	3,400	187	−½
Rothmans	81	639	+10
Ryl Bk. Scotland	528	175	−3
Royal Insurance	1,100	455	−6
STC	1,000	267	−1
Saatchi	[illegible]	114	−4
Sainsbury	1,500	251	+1
Scottish & New.	864	286	+1
Sears	792	89½	+½
Sedgwick	17	240	
Severn Trent Water	1,200	130½	−1
Shell Transport	2,100	461	+2
Siebe	120	455	
Slough Ests	437	231	−2
Smith (W.H.) A	22	269	
Smith & Nephew	1,000	123½	+1
SmKl Beecham	1,200	495	−3
SmKl Beecham Units	57	2293	−5
Smiths Inds.	536	231	+5
South West Water	945	152	+2
Southern Water	323	130½	−1½
Standard Chartd.	958	627	
Storehouse	1,100	115	
Sun Alliance	980	303	
Sun Life	7	1253	
T&N	43	154	
TI Group	1,200	454	+8
TSB	2,000	122	−2
Tarmac	251	222	+2
Tate & Lyle	1,300	278	+1
Taylor Woodrow	1,000	256	+6
Tesco	3,300	200½	−1
Thames Water	1,200	130	−1
THORN EMI	295	683	+1
Trafalgar House	145	324	+3
Trusthouse Forte	2,500	254	−7
Ultramar	909	348	−4
Unigate	69	282	−2
Unilever	1,400	651	+2
United Biscuits	471	320	−2
Utd. Newspapers	580	345	+1
Water Package Uts.	1	£1400	+10
Wellcome	323	676	−11
Welsh Water	179	169	−1
Wessex Water	328	142	+2
Whitbread 'A'	114	377	
Williams Hldgs.	377	360	
Willis Faber	534	272	+2
Wimpey	164	236	+1
Yorkshire Water	204	164	−2

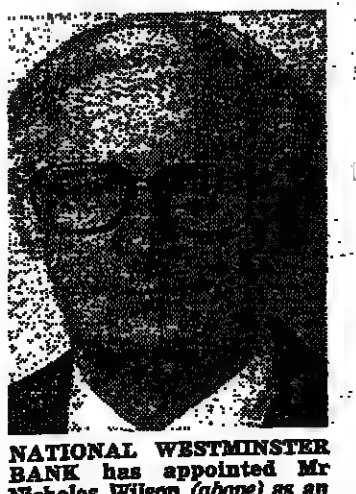
Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (15).
BRITISH FUNDS (1) CANADIANS (1) ELECTRICALS (2) INDUSTRIALS (4) Bowater 7.75pc Cv. Pf., Hutch Whmp., Jardine Hldgs., Swire Pac., LEISURE (1) NEWSPAPERS (1) TRANSPORT (2) TRUSTS (3).
NEW LOWS (306).
BRITISH FUNDS (38) INT.BANK & O'SEAS GOVT. STLG. ISSUES (3) CANADIANS (5) BANKS (8) BUILDINGS (18) STORES (7) ELECTRICALS (7) ENGINEERING (4) FOODS (6) HOTELS (2) INDUSTRIALS (24) Arley, Armour Tst., Assoc. Energy, Bardon Group, Barrett (Henry), Baxter Intl., Benlox, Brandon Hire, Brit. Bloodstock, Caparo Inds., Coloroll, Corton Beach, De La Rue, Dean & Bowes, Erskine House, Flexello, Granada, Green (E.), Hepworth, MB Group, Macfarlane, Norton, Nu-Swift, Page (Michael), Parkfield Grp., Porter Chadburn, Rank Org., Sale Tilney, Silverminos, Sthn. Bus. Grp., Stormgard, Walker Greenbank, Waterford Wedgewood, INSURANCE (4) LEISURE (6) MOTORS (2) NEWSPAPERS (2) PAPERS (8) PROPERTY (8) TEXTILES (3) TOBACCOS (1) TRUSTS (16) WATER (4) OILS (6) OVERSEAS TRADERS (1) MINES (16) THIRD MARKET (1).

APPOINTMENTS

Adviser to NatWest



NATIONAL WESTMINSTER BANK has appointed Mr Nicholas Wilson (above) as an adviser to the NatWest group and a member of its executive committee. He is a partner with Slaughter and May, and will join NatWest on November 1. He has been with the City legal firm for 30 years, and a partner since 1968. Throughout his career, his clients have been mainly in the banking sector, and he has been particularly involved in the development of the international capital markets.

■ Mr D.D. Smith, manager, European operations, SUN ALLIANCE GROUP, will assume head office operational responsibility for all European territories from June 1. He succeeds Mr A.J. Roberts who is retiring.

■ Mr V.H. Hansen has been appointed a director of GRANTRIGHT FOUNDATIONS.

■ CHARTERHOUSE has appointed Mr John Liddle as head of regulatory affairs. He was director of compliance at Shearson Lehman Hutton.

■ Mr Ivor Hanff has been appointed director, London, for NSR TRAVEL (Norwegian State Railways) from May 1. He is director of the Norwegian Tourist Board, London, where he is succeeded by Mr Per Holte.

■ Mr Stephen Russell has been appointed a director of MARINER INVESTMENT DEVELOPMENTS, Eastcote, Northants.

■ COCA-COLA GREAT BRITAIN has appointed Mr Stephen Jones as marketing director. He was brand manager for "diet Coke" in the US, and succeeds Mr Simon Turner who transfers to headquarters in Atlanta.

■ STREETS COMMUNICATIONS, recently acquired by Thomas & Kleyn International, The Hague, has appointed Mr Peter Presland as non-executive chairman. He is group managing director of C.E. Heath.

■ Mr David Peak has been appointed a director of COUNTY NATWEST. He will head the energy and chemicals team in the mergers and acquisitions group. He was with Morgan Stanley International.

■ Mr Anthony Burton has been appointed manager, sales and marketing, at Midland Security Services, global trust and safe custody arm of MIDLAND GROUP. He was account manager at Wang.

■ Following a management buy-out Mr Chris Moore has been appointed general manager of SMART TERMINALS, Oxford. He was financial director, MRI division, Oxford Instrument Group.

■ Mr Alois Steinbichler has been appointed deputy general manager and deputy chief executive of CREDITANSTALT, London.

■ Mr Michael Connolly has been appointed technical services director of BEECH CONSTRUCTION, Deeside, Clwyd. He was a consultant chartered quantity surveyor.

■ GROSVENOR DEVELOPMENTS, commercial development arm of the Grosvenor Estate, has appointed Mr G.D. Hoare as a director on the main holding board. He is divisional director of GD Scotland, one of Grosvenor Developments' three trading companies.

Finance director at Tioxide Group

■ Mr D.A. Searles becomes executive director from May 1 responsible for finance and planning functions at TIOXIDE GROUP. He succeeds Mr J.R. Precious who becomes group finance director with Wellcome at the end of June.

■ Mr C.P. "Clem" Danin, managing director of Charles Davis (Metal Brokers), has been elected to the board of THE LONDON METAL EXCHANGE.

Mr Nick Longworth (above) has been appointed group commercial director of HAVELOCK EUROPA from April 30. He was a director of James R. Knowles.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

BRITISH FUNDS—Contd

Index-Linked

1990 High	1990 Low	Stock	Price £	+ or −	Yield (1)	Yield (2)
113	110¼	Tr. 2pc '92‡‡(97.8)	112⅞	.....	4.08	5.53
105⅞	103¼	Do. 2pc '94 (102.9)	104⅞xd	+⅛	3.62	4.31
156⅞	150⅝	Do 2pc '96(67.9)	153¼	+1⅛	3.70	4.16
131⅝	123⅞	Do 2½pc '01(78.3)	124⅛	−⅛	4.13	4.42
128⅝	119⅞	Do. 2½pc '03(78.6)	121¼xd	−⅛	4.18	4.43
131⅜	122⅞	Do. 2pc '06(69.5)	123½	−⅛	4.14	4.35
123⅞	113⅞	Do. 2½pc '09(78.8)	114⅞xd	−⅛	4.11	4.30
128⅞	118⅞	Do. 2½pc '11(74.6)	119½	−⅛	4.07	4.25
107⅞	97⅞	Do. 2½pc '13(89.2)	99⅛	−⅛	4.03	4.19
115⅞	105⅞	Do. 2½pc '16(81.6)	106⅞	−⅛	3.96	4.12
119½	102⅝	Do. 2½pc '20(83.0)	104⅞	−⅛	3.91	4.05
95¾	86¼	Do. 2½pc '24‡‡(97.7)	87⅞	−⅛	3.84	3.97

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for August 1989: 115.8 and for March 1990: 121.4.

INT. BANK AND O'SEAS

1990 High	1990 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
100⅝	86⅞	African Dv Bk 11¼Ln 2010	87⅞	+⅛	12.76	12.92
96⅞	82⅞	Asian Dev Bk 10¼pcLn2009	83⅞	−⅛	12.32	12.59
101⅞	87⅞	Euro Inv Bk 11pc Ln 2002	87⅞	−⅛	12.52	12.98
110⅞	96⅞	Int-Am Dev Bk 12½pc 2003	96⅞	−⅞	12.93	13.03
91⅞	78⅞	Do. 9½pcLn 2015	78⅞		12.47	12.64
90½	80¼	Mlysia 10¼pcLn 2009	80¼		13.31	13.58
110	109	Intl. Mexican States 16½pc 2008	109	.....	15.14	14.90

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Contd

1990 High	1990 Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
21⅞	15⅞	Chase Manhattan $12½	16⅞xd	−⅛	$2.36	−	8.4
19⅛	14	Chem. Banking Corpn	14⅞		$2.72	−	11.0
12½	9⅞	Chrysler $6¼	10⅛xd	−⅛	$1.20	−	7.1
18⅞	13⅞	Citicorp $1	14⅞xd	+⅛	$1.78	−	7.2
39⅞	31⅞	Colgate-Palmolive $1	35⅞	−⅛	s$1.48	−	2.5
12⅛	8¼	Cont'l Bank Corp $4	9⅞	+⅛	$1.00	−	6.2
268p	128p	♦Corporate Data Sciences	199p	+13			−
21⅞	18½	Dana Corp. $1	21⅞xd		$1.60	−	4.6
768p	510p	Data General	537p	+20			−
29½	25⅛	Dun & Bradstreet $1	28⅞		$2.00	−	4.2
35⅞	29⅞	Eaton Corpn. 50c	33⅞	−⅛	A$2.00	−	3.6
10⅞	7½	Echlin Inc.	7⅞xd	+⅛	70c	−	5.4
22⅞	19⅞	FPL Group 1c	19⅞	−⅛	$2.28	−	7.0
27⅞	21⅞	Fluor Corp 62½pc	26⅞	−⅛	24c	−	0.6
30⅞	25	Ford Motor $1	28⅞xd		$3.00	−	6.3
41⅝	36⅞	Gen. Elect. 63c	40⅞		$1.88	−	2.8
427p	304p	♦General Host Corp $1	413p	−9	30c	−	4.4
34½	25⅞	Gillette $1	32⅞	−⅛	96c	−	1.8
315p	230p	Gt American Bank Bk $1	283p	+83	20c	−	4.2
20⅞	17⅛	Greyhound $1½	18⅞	−⅛	$1.32	−	4.2
12⅞	10½	Hasbro Inc 50c	11⅞	−⅛	16c	−	0.9
55⅞	46½	Honeywell $1½	55⅞xd	+⅛	$2.75	−	3.0
21⅞	19⅛	Houston Inds ‡	19⅞	−⅛	$2.96	−	9.1
67⅞	57⅞	IBM Corpn $1¼	67⅞xd		$4.84	−	4.3
50p	30p	♦Image Storage/R Sys.1c	30p				−
35½	27⅞	Ingersoll-Rand $2	33⅞xd	−⅛	$1.20	−	2.2
25⅛	20⅛	Lockheed Crpn. $1	22⅞xd	−⅛	$1.80	−	4.8
11⅞	7⅞	Lone Star Inds $1	7⅞xd		$1.90	−	15.4
28	24⅛	Louisiana Land 15c	26⅛	−⅛	$1.00	−	2.3
21⅛	15⅛	Lowe's 50c	20⅞	−⅛	52c	−	1.5
22⅛	16⅞	Manuf. Hanover $1	20⅞		$3.28	−	9.5
16⅛	12⅞	Merrill Lynch $1	14⅞	+⅛	$1.00	−	4.1
26⅞	21⅞	Molex Inc.	25⅞	+⅛	3.2c	−	0.1
27⅞	20	Morgan (JP) $2½	21⅞xd	+⅛	$1.82	−	5.1
27	21⅞	Morris (Philip)	26⅞xd	+⅛	$1.13	−	2.6
56⅞	44⅞	NYNEX $1	51½	−⅛	$4.36	−	5.1
19p	6p	N'wide Legal Serv.‡	6p				−
21½	18⅛	PHH Corp ‡	20⅞	+⅛	$1.16	−	3.4
195p	155p	♦Pacific Agr.‡	175p				−
14⅞	12½	Pacificorp $3¼	13⅞	−⅛	h$1.39	−	5.9
31⅞	24½	Pacific Telesis 10c	27½	−⅛	$1.88	−	4.1
22⅞	19⅞	Pall Corp 25c	19⅞	+⅛	48c	−	1.5
55⅞	45⅞	Pennzoil $3 1/3c	46⅞xd	−⅛	$3.00	−	3.9
35⅞	27½	Quaker Oats $5	31⅞	−⅛	$1.40	−	2.7
32⅞	26⅛	Rep NY Corpn $5	[illegible]		$1.28	−	2.8

[illegible]

CANADIANS

[illegible]

Continued on next page

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BANKS, HP & LEASING

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
303	235	ANZ SA1	235	–4	44c	1.4	8.5	8.4
196	172	Abbey National 10p	190	....	5.7	4.3	4.0	7.7
282	238	Allied Irish Ord	264	–1	h068%	3.3	3.1	13.6
£13⅝	£11⅞	Algemene Fl.10	£12¾	+⅛	Q28%	2.0	6.9	7.2
85	73	Anglo Irish	80	......	Q18.7%	2.7	5.5	10.9
81	71	Ansbacher (H.) 1p	71	–1	2.5	1.3	4.7	20.4
£70⅝	£54¼	Bancaire Cie Fr100	£69⅝	–1	hQ12¼%	–	2.0	–
£22⅝	£16⅝	Banco Bilbao Viz	£16⅝	....	Q17.9%	2.0	4.3	11.5
£31	£24¼	Banco de Santander	£24¼	......	Q25%	2.4	4.7	8.9
286	248	Bank Ireland Ir£1	260	–5	[illegible]	3.2	4.5	8.9
£19½	£18	Bank Leumi	£19½	......	–	–	–	–
350	320	Bank Leumi (U.K.)	345	......	†13.5	–	5.2	–
125	110	Bank Scotland	114	+2	†3.8	3.6	4.4	8.2
100¼	90	Do. 9¼pc Irrd Pf	92	–½	9¼%	–	13.4	–
54	52	Bank of Wales	52	......	2.8	1.6	7.2	10.9
599	539	Barclays £1	550	–15	27.4	3.5	6.6	5.4
22	16	Benchmark 20p	16	...	1.63	1.0	13.5	9.2
335	310	Brown Shipley £1	315	....	†10.5	–	4.4	–
455	400	Cater Allen £1	403	......	23.5	–	7.8	–
179	149	Chancery	162	–2	†8.0	2.8	6.6	7.1
£23¼	£19⅞	Commerzbk DM10	£20⅞	–⅛	Q18%	–	3.2	–
£27	£23⅞	C'hgn.Hbk Kr100	£25	–⅛	Q15%	–	5.5	–
£13¼	842	Dai Ichi KBk Y50	842	–6	hQ16%	8.8	0.4	32.2
£313½	£262¼	Deutsche Bk DM50	£288¾	–5½	Q28%	–	1.8	–
£20⅞	£19	Espirito Santo	£20	–¼	Q75c	3.3	2.3	13.6
253	211	First Nat. Fin. 10p	228	......	13.0	2.4	7.6	7.0
121	106	FNFC 6.3pc Cv. Pf	118	......	6.3%	–	7.1	–
£15¼	953	Fuji Bank Y50	992	+5	Q15.6%	4.2	0.3	–
325	269	Gerrard & National	279	......	18.5	–	8.8	–
154	146	Guinness Mahon 10p	146	....	‡2.1	–	1.9	–
328	264	Hambros 20p	268	–2	†10.0	–	5.0	–
128	106	Do. 7.5pc Cv Pf	108	+1	7½%	–	9.3	–
53½	48	HK & Shang. HK$2.50	48	–1	h032c	–	6.0	–
478	458	Joseph (Leo) £1	458	......	15.85	–	4.6	–

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS – Contd

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LONDON SHARE SERVICE

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MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Contd

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

WATER

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

MINES—Contd

Miscellaneous

THIRD MARKET

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ☞ Not officially listed.
- ₣ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ‡‡ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend, xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p γ	78	......
Craig & Rose £1 γ	810	......
Finlay Pkg 5p γ	57	......
Holt (Jos) 25p γ	1320	-3

IRISH

Cap. 6½% Ln. 1991	£97	......
9pc Cap Ln. 1996	£93	-½
Fin. 13% 97/02	£111	......
Arnotts	450	......
Carrol (P.J.) γ	160	......
Heiton (R & H.)	140xd	......
Heiton Hldgs γ	77	......
IRS	280	-15
United Drug	165	......

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	39
Amstrad	5½
Astec (BSR)	5½
BAT	83
BOC Grp	45
BTR	36
Barclays	49
Blue Circle	19
Boots	23
Bowaters	38
Brit Aerospace	42
British Steel	9
Brit. Telecom	25
Cadburys	27
Charter Cons	40
Comm Union	40
Courtaulds	24
Eurotunnel	60
FKI	7
FNFC	21
Gen Accident	93
GEC	15
Glaxo	56
Grand Met	45
Guardian	19
GKN	33
Hanson	18
Hawker Sidd	55
ICI	85
Ladbroke	25
Legal & Gen	34
Lex Service	26
Lloyds Bank	22
Lucas Inds	52
Marks & Spencer	17
Midland Bk	27
Nat West Bk	29
P & O Dfd	50
Polly Peck	37
Racal Elect	19
RHM	35
Rank Org Ord	68
Reed Intnl	33
STC	20
Sears	9½
SmKl. Beecham A	46
TI	38
TSB	11
Tesco	17
Thorn EMI	61
Trust Houses	22
T&N	17
Unilever	56
Vickers	18
Wellcome	60

Property

Brit Land	32
Control Secs	5
Land Securities	44
MEPC	44
Mountleigh	14

Oils

Aviva Petlm	5½
Brit Petroleum	28
Burmah Oil	52
Conroy Petlm	12
Gaelic Res	4½
Premier	10
Shell	37
Tuskar Res	10
Ultramar	31

Mines

Lonrho	22
RTZ	45

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1050 per annum for each security.

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	52.05	52.61	55.97		[illegible]
Gilts & Fixed Int	6	[illegible]	100.9	106.9	+0.1	[illegible]
High Inc Equity	6	[illegible]	[illegible]	[illegible]	----	[illegible]
Worldwide Bond	6	[illegible]	[illegible]	[illegible]	....	[illegible]
Capital Growth						
American Growth	6	[illegible]	[illegible]	[illegible]		1.00
Asia Pacific	6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Assets & Earnings	6	[illegible]	[illegible]	[illegible]	[illegible]	3.03
Capital Reserve Acc	6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Capital Reserve Inc	6	75.25	75.25	[illegible]	[illegible]	7.97
Commdty & Energy	6	102.1	102.1	109.2	-0.5	0.77
Dividend & Growth	6	45.41	[illegible]	[illegible]	[illegible]	[illegible]
1992 Enterprise	6	60.43	[illegible]	[illegible]	[illegible]	2.43
Euro Capital Acc	6	[illegible]	[illegible]	114.0	[illegible]	[illegible]
Euro Capital Inc	6	102.1	[illegible]	[illegible]	[illegible]	[illegible]
General	6	[illegible]	[illegible]	178.6	[illegible]	2.80
International	6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Magnetrust	6	88.69	[illegible]	[illegible]	[illegible]	[illegible]
UK Growth Acc	6	170.4	170.4	182.3	[illegible]	[illegible]
UK Growth Dist	6	111.3	[illegible]	119.1	[illegible]	[illegible]
US Emerging Cos	6	57.14	58.71	[illegible]	[illegible]	[illegible]
Income & Growth	6	201.7	[illegible]	317.7	[illegible]	[illegible]
Ethical	6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Abtrust Management Ltd (1200)H
10 Queens Terrace Aberdeen [illegible] 0800 [illegible]

[illegible]

Martin Jupiter Unit Tst Mngrs Ltd (0900)F
197 Knightsbridge, London SW7 1RB 01-581 3020

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Gro	5	104.6	107.4	114.2	-0.4	[illegible]
Income	5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Income & Growth	5	113.3	114.9	122.2	-0.2	[illegible]
Special Sits	5	32.57	32.57	34.64	[illegible]	[illegible]
International	5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Geology	5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Pearl Unit Trusts Ltd (1000)H
PO Box 300, Thorpe Wood, Peterborough PE3 6SB
Dealing: 0800 [illegible] Enquiries: 0733 [illegible]

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth	5	113.5	115.9	121.9	-0.1	3.41
(Accum Units)	5	[illegible]	184.7	194.4	----	3.41
Income	6	169.7	172.8	182.9	+0.2	4.67
Equity	6	172.8	175.0	186.1	+0.1	[illegible]
(Accum Units)	6	[illegible]	[illegible]	[illegible]	+0.2	[illegible]
Intl Equity	6	176.0	178.1	189.5	+0.1	1.97
(Accum Units)	6	183.1	187.3	199.2	+0.1	1.97
UK Income	6	44.56	47.32	[illegible]	[illegible]	[illegible]
UK Inv 25	6	[illegible]	47.38	[illegible]	[illegible]	[illegible]

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
[illegible]

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
[illegible]

TIME
[illegible] The symbols are as follows: ✝ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ▲ - 1401 to 1700 hours; # - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. [illegible]

FORWARD PRICING
The letter F denotes that prices are set on a forward basis [illegible]

SCHEME PARTICULARS AND REPORTS
[illegible]

[illegible]

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	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or −	Yield Gr's
Thornton Unit Managers Ltd (1000)F						
33 Cavendish Sq., London W1M 7HF 01-493 7262						
Dealing 01-493 8545						
American Opps	5	53.44	54.30	57.91	−0.18	0.19
(Accum Units)	5	54.99	55.88	59.60	−0.18	0.19
European Opps	5	77.76	78.17	83.37	−0.41	0.00
(Accum Units)	5	78.19	78.60	83.83	−0.41	0.00
Far Eastern Opps	5	133.34	133.38xd	142.47	+0.06	0.00
(Accum Units)	5	134.20	134.43xd	143.99	+0.07	0.00
Golden Opps	5	38.85	38.85	41.43	−0.57	0.00
(Accum Units)	5	39.96	39.96	42.61	−0.59	0.00
Intl Hi-Yield	5	60.14	60.16	64.16	+0.01	4.29
(Accum Units)	5	65.56	65.58	69.94	+0.01	4.29
Sanyo Japan Tst	5	62.19	62.19xd	66.33	+0.35	0.00
(Accum Units)	5	62.19	62.19xd	66.33	+0.35	0.00
Kangaroo	5	30.34	30.34	32.35	−0.04	1.29
(Accum Units)	5	30.51	30.51	32.53	−0.05	1.29
Oriental Income	5	33.21	33.30xd	35.51	—	4.92
(Accum Units)	5	37.74	37.84xd	40.35	—	4.92
Pacific Technology	5	55.67	55.67xd	59.37	−3.15	0.00
(Accum Units)	5	56.12	56.12xd	59.85	−3.18	0.00
Tiger	5	152.30	152.30xd	162.45	−0.02	0.68
(Accum Units)	5	155.00	155.00xd	165.32	−0.03	0.68
UK Hi-Yield	5	42.56	42.56	45.39	+0.03	5.04
(Accum Units)	5	48.66	48.66	51.90	+0.04	5.04
UK Opps	5	53.39	55.99	59.57	−0.09	0.72
(Accum Units)	5	[illegible]	[illegible]	[illegible]	−0.10	0.71
Three Counties Asset Mngmt Ltd (1430)F						
Cuthbert House, Tower Road, Washington NE37 2SH 091 415 3034						
Balanced Portfolio	6	91.77	93.40	99.36	+0.38	4.00
Timberlake Unit Trust Mngrs Ltd (0900)F						
1 White Hart Yard, London SE1 1NX 01 407 5966						
Portfolio	2	97.51	97.51	100.39	−0.01	1.19
Touche Remnant Unit Tst Mngt Ltd (1600)F						
Mermaid Hse, 2 Puddle Dock, EC4V 3AT 01-248 1250						
4 Hourly Pricing—12 Noon Historic						
TR American Grth	5¼	47.72	47.72	50.90	−0.42	0
TR Eur Sp Sits Acc	5¼	45.97	45.97	48.94	+0.05	0
TR Eur Sp Sits Inc	5¼	45.07	45.07xd	47.99	+0.05	0
TR Far East Opps Inc	5¼	23.94	23.94	25.35	+0.04	—
TR Far East Opps Acc	5¼	23.94	23.94	25.35	+0.04	—
TR General Growth	5¼	72.72	72.72	77.36	−0.11	2.66
TR Global Tech	5¼	73.99	73.99	78.92	−0.22	0
TR Income Growth	5¼	83.86	83.86	89.21	−0.21	4.44
TR Income Monthly	5¼	51.60	51.60	54.89	−0.11	7.34
TR Japan Growth	5¼	76.92	76.92	81.67	+1.13	0
TR Overseas Growth	5¼	66.19	66.19	70.60	−0.08	0
TR Smaller Cos	5¼	74.75	74.75xd	79.52	−0.12	2.43
TR Special Ops	5¼	83.51	83.51	88.84	−0.27	3.39

	Bid Price	Offer Price	+ or −	Yield Gross
NM Rothschild Asset Management Ltd				
NC Managed	56.7	60.0xd	−0.1	3.80
NC Property	191.9	209.7xd	—	—
J. Rothschild Fund Managers Ltd				
Intl Exempt	142.9	144.4	—	3.58
Stewart Ivory & Co Ltd				
Salois PPP Mar 14	255.5	269.0	—	0.00
Closed to new business				
Thornton Unit Managers Ltd				
Managed Exempt Apr 17	101.55	107.82xd	—	3.84
(Accum Units)	100.74	106.96xd	—	3.84
Touche Remnant Unit Tst Mngt Ltd				
TR Exempt European	1246	1261xd	—	1.49
TR Exempt Nth Amer	970	984xd	—	3.31
TR Exempt Pac Basin	865	876xd	—	0

INSURANCES

	Bid Price	Offer Price	+ or −	Yield Gross
AA Friendly Society				
Investment Mngt. M & G Inv Mngt Ltd				
AA Friendly Sy Apr 12	—	168.1	—	—
Abbey Life Assurance Co Ltd				
80 Holdenhurst Road, Bournemouth 0202 292373				
Prop. Ser. 1	298.6	314.4	—	—
Equity Ser. 1	127.5	134.3	+0.2	—
Prop. Acc. Ser 2	460.3	484.6	—	—
Equity Ser 2	147.8	155.6	+0.2	—
Selective Acc	339.0	356.9	—	—
Prop. Ser. 4	360.5	379.5	—	—
Equity Ser. 4	151.5	159.5	+0.2	—
Man. Ser. 4	434.5	457.4	+0.3	—
Fixed Int. Ser. 4	206.5	217.5	−2.1	—
Indexed Inv. Ser. 4	140.4	147.9	−0.4	—
American Ser. 4	324.9	342.1	−0.1	—
Japan Ser 4	277.1	291.7	+2.1	—
European Ser 4	130.5	137.4	—	—
High Inc. Ser. 4	450.0	473.7	—	—

	Bid Price	Offer Price	+ or −	Yield Gross
Guardian Royal Exchange—Contd.				
	360.3	379.3	−1.6	—
	463.0	487.4	−2.0	—
	543.4	572.0	−2.8	—
	698.2	734.9	−3.6	—
	262.8	276.7	+0.2	—
	337.7	355.5	+0.3	—
	368.3	387.7	+5.2	—
	473.2	498.1	+6.7	—
	122.8	129.3	+0.7	—
Laurentian Life plc—Contd.				
formerly Trident Life				
Life Funds				
Equity Ser 3 Acc	476.2	501.3	+0.3	—
Gtd Managed Acc	332.2	349.7	−0.2	—
Pension Funds				
Pens Equity	640.0	673.7	+0.2	—
Pens Managed	590.7	621.8	−0.6	—
Pens Gilt-Edge	358.0	376.8	−0.4	—
Pens Deposit	378.1	398.0	—	—
Pens Property	572.0	602.1	—	—
Merchant Investors Assurance Co Ltd—Contd.				
MI UK Fund		339.6	+0.1	—
MI UK Pens		645.1	+0.4	—
MI Intl Equity		382.1	+0.9	—
MI Intl Equity Pens		596.4	+1.7	—
MI International Fund		366.0	+0.6	—
MI Intl Fd Pens		532.2	+1.2	—
MI Nth American Equity Fund		140.6	+0.4	—
MI Nth Am Equity Pens		158.1	+0.5	—
MI Far East Equity Fund		301.9	+0.1	—

Continued on next page

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OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

ISLE OF MAN (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

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	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Ivory & Sime (Luxembourg) SA						
13 rue Goethe L-1637 Luxembourg 010 352 404646						
Atlas Fund						
Global Cap Portfolio		$	2.434	2.582	[illegible]	0.25
United States Portfolio		$	2.497	2.649	[illegible]	0.55
United Kingdom Portfolio		£	1.068	1.133	[illegible]	11.00
Cont Europe Portfolio		DM	4.592	4.869	[illegible]	0.45
Europriva Portfolio		£	1.154	1.228	[illegible]	–
Japan Portfolio		£	0.748	0.791	[illegible]	–
Pacific Portfolio		$	2.691	2.854	[illegible]	1.00
Gold Portfolio		$	2.016	2.138	[illegible]	0.35
UK Growth of Income		£	1.136	1.205	[illegible]	1.90
Sterling Gilt Portfolio		£	0.891	0.945	[illegible]	5.00
Global Bond Portfolio		$	1.875	1.987	[illegible]	3.50
Dollar Portfolio		$	2.071	2.071	[illegible]	7.50
Yen Portfolio		£	0.874	0.875	[illegible]	2.20
Sterling Portfolio		£	1.043	1.044	[illegible]	6.40
Midland International Circuit Fund SICAV						
Midland Bank Fund Managers (Jersey) Ltd						
PO Box 26, St Helier, Jersey 0534 37788						
UK Growth		£	0.993	1.053	[illegible]	–
European Growth		£	1.130	1.199	[illegible]	–
Japan Growth		£	1.017	1.079	[illegible]	–
Pacific Growth		£	0.982	1.042	[illegible]	–
Nth American Growth		£	1.033	1.096	[illegible]	–
UK Fixed Interest		£	1.016	1.078	–	–
Multicurrency Bond		£	1.020	1.082	[illegible]	–
UK Stg Liquidity		£	1.019	1.081	–	–
US$ Liquidity		$	1.029	1.092	[illegible]	–
Morgan Grenfell UT Mgrs/Deutsche Bank						
Representative for BM, Luxembourg						
20 Finsbury Circus, EC2M 2UT 01-826 0826						
Eurorenta		DM	79.61	82.00	+0.2	–
DM Reserve		DM	115.61	116.80	+0.1	–
Dollarrenta		$	48.42	49.90	–	–
Nomura Global Fund						
UK dealing agent, National Inv Group plc, Holland Hse, 1/4 Bury Street, London EC3A 5AT 01-283-2850						
Asia Pacific P'folio			98.23		–	–
Royal Trust Asselmix Fund						
41 Avenue de la Gare L-1611, Luxembourg 352 409 061						
Equity Funds						
Alpha UK		£	1.18		–	0
Alpha US		$	1.42			0.00

	Bid Price	Offer Price	+ or -	Yield Gros
Nikko Capital Mngt (Europe) Ltd				
Japan Index Fund	Y3,195	3,226	–	–
New Generation Fd. $	$18.87	19.87	–	–
Japan Index Alpha	Y9,795	9,942	–	–
Jap Sector Rotation	Y8,499	8,621	–	–
Strongbald Asset Mngmt (Guernsey) Ltd				
Tech and Comm	£13.07	13.88	+0.2	–
Pacific Basin Fd	$105.30	111.92	–	–
Western European	$18.95	19.89	-0.56	–
Tyndall International (Guernsey) Ltd				
Capital Defender	$1.27	1.34		–
Hi Yield Bond	62.3	65.6	+0.2	13.30
Internat. Spec. Sits	49.0	51.5	+0.8	–
Mitsubishi Fd	76.4	80.3	-0.1	–
U.S. Treasury Securities Fund Ltd				
Short Term Shares	$202.12		–	–
Fixed Income Shares	$905.27		–	–
Wellington Fd Mngrs (Guernsey) Ltd				
Intl Growth Fd	$13.58	14.25	–	–
Yamaichi Capital Mangmt (Guernsey) Ltd				
Japan Meta Growth	$11.12		+0.12	–
Yamaichi CB Fund	$7.69		+0.09	–
Yamaichi CB Plus Fund	$9.32		+0.03	–
Thai Inv Fund	$12.06		–	–

JERSEY (**)

	Bid Price	Offer Price	+ or -	Yield Gros
Allied Irish Fund Managers (CI) Ltd				
Sterling Currency Fd	£14.5692		+0.0376	–
Managed Currency Fd	$34.6758		-0.0420	–
Do Sterling Equivalent	£21.2077		+0.0644	–
Ecu	Ecu12.9009		+0.0253	–
Irish Gilt Fd	IE£87.4006		+0.2478	–
Intl Managed Dollar	$23.6724		+0.0242	–
Intl Managed Bond	[illegible]		-0.0148	–
Barclays Intl Funds				
Currency Funds				
Sterling	£17.65		+0.02	13.7
US Dollar	$28.67		-0.02	7.1
Deutschemark	DM49.18		+0.01	6.5
Yen	Y3,677		+3	3.5
Managed Multicurrency	£12.69	13.14	+0.09	

SWITZERLAND

CANADA

DUBLIN

GUERNSEY (**)

ISLE OF MAN (**)

LUXEMBOURG (**)

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar down despite trade data

Good US trade figures failed to push the dollar higher yesterday and appeared to be regarded as an opportunity to unwind a recent build up of long positions in the currency. The situation was similar to last September when the dollar fell on better than expected US trade data, after failing to brake through a strong resistance point against the D-Mark. The yen was the main focal point yesterday, however, with the dollar falling back after it failed to break through Y160.00.

It was difficult to tell how impressed the market was with the trade news. An improvement on the January deficit of $9.32bn had been heavily discounted, with most forecasts in the region of $7.5bn-$8.0bn, but some very optimistic figures below $5bn were suggested in recent days. Nevertheless, the February shortfall of $6.49bn was the lowest monthly figure for more than six years, and the dollar's fall has led to speculation that the currency may have reached a near-term peak.

After briefly flirting with Y160.00 the dollar fell back to close in London at Y159.10, against Y159.90 on Tuesday. It also declined to DM1.6720 from DM1.6770; to SFr1.4835 from SFr1.4900; and to FFr5.6200 from FFr5.6375. The dollar's index fell to 68.3 from 68.7.

Sterling gave up early gains to finish weaker on the day against the main trading currencies, other than the dollar. UK economic data released yesterday were a mixed bag, but in general the good news of a larger than forecast fall in retail sales failed to offset concern about falling industrial production and rising unit wage costs. Analysts said that although the fall of 1.4 per cent in March retail sales was more than the expected 0.8 per cent forecast, it was not a great surprise. They considered a year-on-year rise of 7.2 per cent in March unit wage costs to be more significant, and were also concerned *at a fall of 0.7 per* cent in February industrial production against forecasts of a flat month.

The pound appeared to weather these figures reasonably well, but the vote to strike by UK power workers, in rejection of an 8.5 per cent pay offer led to some nervous selling of the currency.

At the close in London sterling had gained 30 points to $1.6375 against a weakening dollar, but fell to DM2.7375 from DM2.7400; to Y260.50 from Y261.25; to SFr2.4300 from SFr2.4350: and to FFr9.2025 from FFr9.2150. The pound's index finished unchanged at 86.7.

The yen was helped by the dollar's decline and by a subdued performance from the D-Mark. The West German currency fell to Y95.15 from Y95.35 at the London close and was also slightly easier against several members of the European *Monetary System, falling to* L734.45 from L734.95 and to FFr3.3610 from FFr3.3615.

The Spanish peseta was the strongest EMS currency, but the lira was also firm, touching its cross rate limit against the lowest placed Belgian franc.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Apr.18	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.1679	42.2990	+0.31	+0.31	±1.5588
Danish Krone	7.79845	7.78535	-0.17	-0.17	±1.6453
German D-Mark	2.04446	2.04325	-0.06	-0.06	±1.1762
French Franc	6.85684	6.86636	+0.14	+0.14	±1.3618
Dutch Guilder	2.30358	2.30075	-0.12	-0.12	±1.5272
Irish Punt	0.763159	0.762084	-0.14	-0.14	±1.6689
Italian Lira	1529.70	1500.99	-1.88	-1.88	±1.5162
Spanish Peseta	132.889	129.567	-2.50	-2.50	±4.2705

Changes are for Ecu, therefore positive change denotes a weak currency
Adjustment calculated by Financial Times

£ IN NEW YORK

Apr.18	Latest	Previous Close
£ Spot	[illegible]	[illegible]
1 month	[illegible]	[illegible]
3 months	[illegible]	[illegible]
12 months	[illegible]	[illegible]

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Apr 18	Previous
[illegible]	[illegible]	[illegible]

POUND SPOT- FORWARD AGAINST THE POUND

Apr 18	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6330 - 1.6410	1.6370 - 1.6380	0.90-0.88cpm	6.52	2.62-2.59pm	6.36
Canada	1.8995 - 1.9075	1.9010 - 1.9020	0.30-0.24cpm	1.70	0.79-0.67pm	1.54
Netherlands	3.07¼ - 3.09½	3.07¾ - 3.08¾	1⅝-1½cpm	6.09	5-4¾pm	6.41
Belgium	56.55 - 56.95	56.70 - 56.80	28-17cpm	4.77	77-59pm	4.80
Denmark	10.42½ - 10.47¼	10.42½ - 10.43½	3⅛-2⅝orepm	3.24	10-8⅝pm	3.57
Ireland	1.0190 - 1.0280	1.0215 - 1.0225	0.32-0.27ppm	3.46	0.88-0.78pm	3.25
W. Germany	2.73½ - 2.74¼	2.73½ - 2.74	1¾-1⅝pfpm	7.40	4⅝-4½pm	6.67
Portugal	242.50 - 245.65	242.50 - 243.50	4-13cdis	-0.42	69-103dis	-1.42
Spain	173.10 - 174.30	173.30 - 173.60	15-8cpm	0.80	40-30pm	0.81
Italy	2010 - 2018½	2010¼ - 2011¼	6¾-3½lirepm	2.91	16-12½pm	2.84
Norway	10.66 - 10.70	10.66 - 10.67	2⅝-2¼orepm	2.88	8-6¾pm	2.79
France	9.19 - 9.23½	9.19¾ - 9.20¾	4-3¾cpm	5.06	11½-11¼pm	4.95
Sweden	9.95 - 9.99½	9.96¼ - 9.97¼	1⅝-⅞orepm	1.36	3½-2⅞pm	1.28
Japan	260 - 261½	260 - 261	1¾-1⅝ypm	7.77	5-4⅞pm	7.58
Austria	19.25 - 19.33	19.26 - 19.29	10¼-9¼gropm	6.11	29½-27¼pm	5.90
Switzerland	2.42½ - 2.44	2.42½ - 2.43½	1⅛-1⅛cpm	5.57	3½-3¼pm	5.56
ECU	1.3390 - 1.3415	1.3400 - 1.3410	0.52-0.49cpm	4.52	1.51-1.46pm	4.43

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.24-5.19cpm 12 month 9.64-9.54cpm

CURRENCY RATES

Apr.18	Bank rate %	Special* Drawing Rights	European † Currency Unit
[illegible]	[illegible]	[illegible]	[illegible]

* European Commission Calculations.
† All SDR rates are for Apr.17

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Apr.18	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6330 - 1.6410	1.6370 - 1.6380	0.90-0.88cpm	6.52	2.62-2.59pm	6.36
Ireland†	1.5940 - 1.6040	1.6020 - 1.6030	0.40-0.35ppm	2.82	1.30-1.20pm	3.13
Canada	1.1605 - 1.1665	1.1620 - 1.1630	0.48-0.50cdis	-5.05	1.40-1.45dis	-4.90
Netherlands	1.8800 - 1.8925	1.8825 - 1.8835	0.01-0.03cdis	-0.13	0.01-0.04dis	-0.05
Belgium	34.55 - 34.85	34.60 - 34.70	2.00-8.00cdis	-1.73	9.00-19.00dis	-1.61
Denmark	6.36¾ - 6.40½	6.36¾ - 6.37¼	1.65-1.85oredis	-3.28	4.20-4.90dis	-2.84
W. Germany	1.6695 - 1.6825	1.6715 - 1.6725	0.06-0.04pfpm	0.36	0.11-0.08pm	0.23
Portugal	148.20 - 148.75	148.20 - 148.30	75-95cdis	-6.85	275-315dis	-6.85
Spain	105.95 - 106.60	106.00 - 106.10	48-53cdis	-5.69	146-155dis	-5.65
Italy	1227 - 1234½	1227¼ - 1228¼	3.00-4.50liredis	-3.65	10.00-12.50dis	-3.68
Norway	6.51 - 6.54¼	6.51 - 6.51½	1.90-2.15oredis	-3.72	5.70-6.20dis	-3.64
France	5.61¼ - 5.65	5.61¼ - 5.62¼	0.67-0.73cdis	-1.49	2.00-2.12dis	-1.46
Sweden	6.08 - 6.11¼	6.08½ - 6.09	2.62-2.77oredis	-5.29	7.75-8.10dis	-5.19
Japan	158.70 - 160.00	159.05 - 159.15	0.17-0.15ypm	1.20	0.44-0.41pm	1.06
Austria	11.76¾ - 11.82¼	11.76¼ - 11.76¾	0.05-0.45grodis	-0.25	0.90-2.20dis	-0.52
Switzerland	1.4800 - 1.4940	1.4830 - 1.4840	0.11-0.14cdis	-1.01	0.28-0.35dis	-0.85
ECU	1.2150 - 1.2230	1.2215 - 1.2225	0.21-0.19cpm	1.97	0.62-0.58pm	1.97

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

CURRENCY MOVEMENTS

Apr.18	Bank of England Index	Morgan Guaranty Changes %
[illegible]	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) *Rates are for Apr.17.

EURO-CURRENCY INTEREST RATES

Apr 18	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years 9⅛-9¼ per cent; three years 9¼-9½ per cent; four years 9⅜-9⅝ per cent; five years 9⅜-9⅝ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

OTHER CURRENCIES

Apr 18	£	$
[illegible]	[illegible]	[illegible]
Korea(Sth)	1148.95 - 1167.50	704.30 - 709.90
Kuwait	0.4795 - 0.4815	0.2935 - 0.2945
Luxembourg	56.70 - 56.80	34.60 - 34.70
Malaysia	4.4645 - 4.4755	2.7290 - 2.7310
Mexico	4553.05 - 4556.10	2780.50 - 2790.50
N Zealand	2.6300 - 2.8345	1.7270 - 1.7290
Saudi Ar.	6.1315 - 6.1365	3.7500 - 3.7510
Singapore	3.0710 - 3.0775	1.8775 - 1.8795
S. Af (Cm)	4.3415 - 4.3525	2.6555 - 2.6570
S Af (Fn)	6.4195 - 6.5430	3.9215 - 4.0000
Taiwan	42.15 - 42.75	26.35 - 26.45
U.A.E.	6.0030 - 6.0100	3.6715 - 3.6735

*Selling rate

EXCHANGE CROSS RATES

	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F Fr.	1.087	1.780	2.975	283.1	10.	2.640	3.350	2185	2.067	61.66
S Fr.	0.412	0.674	1.127	107.2	3.787	1	1.269	827.6	0.783	23.35
H Fl.	0.324	0.531	0.888	84.50	2.985	0.788	1	652.3	0.617	18.41
Lira	0.497	0.815	1.362	129.5	4.576	1.208	1.533	1000.	0.946	28.22
C $	0.526	0.861	1.440	137.0	4.839	1.278	1.621	1057	1	29.84
B Fr.	1.762	2.886	4.825	459.0	16.22	4.282	5.433	3544	3.352	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS
[illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS
[illegible]

LIFFE BUND FUTURES OPTIONS
[illegible]

LIFFE EUROMARK OPTIONS
[illegible]

LIFFE EURODOLLAR OPTIONS
[illegible]

LIFFE SHORT STERLING OPTIONS
[illegible]

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT
[illegible]

US TREASURY BONDS 8%
[illegible]

6% NOTIONAL GERMAN GOVT. BOND
[illegible]

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND
[illegible]

THREE MONTH STERLING
[illegible]

THREE MONTH EURODOLLAR
[illegible]

THREE MONTH EUROMARK
[illegible]

THREE MONTH ECU
[illegible]

FT-SE 100 INDEX
[illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
[illegible]

JAPANESE YEN (IMM)
[illegible]

DEUTSCHE MARK (IMM)
[illegible]

U.S. TREASURY BILLS (IMM)
[illegible]

THREE-MONTH EURODOLLAR (IMM)
[illegible]

SWISS FRANC (IMM)
[illegible]

STANDARD & POORS 500 INDEX
[illegible]

PHILADELPHIA SE £/$ OPTIONS
[illegible]

10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES
[illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF)
[illegible]

THREE-MONTH PIBOR FUTURES (MATIF) (Paris interbank offered rate)

	Open	Close	Change	High	Low	Yield	Open int.
June	90.00	89.98	-	90.01	89.97	10.02	15,253
September	90.05	90.01	-0.02	90.06	90.01	9.99	5,980
December	90.04	90.01	-0.01	90.04	90.00	9.99	2,587
March	-	-	-	-	-	-	90

Estimated volume 4,749 Total Open Interest 23,740

CAC-40 FUTURES (MATIF) Stock Index

	Open	Close	Change	High	Low	Open int.
April	2142.0	2113.0	-17.0	2142.0	2112.0	5,655
May	2141.0	2118.0	-14.0	2141.0	2117.0	775
June	2120.0	2126.0	-7.0	2126.0	2120.0	186
September	-	-	-	-	-	10

Estimated volume 4,211 Total Open Interest 6,626

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6375	1.6286	1.6115	1.5854	1.5416

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Jun	1.6214	1.6250	1.6140	1.6198
Sep	1.5920	1.5970	1.5920	1.5946

BASE LENDING RATES

	%		%		%
ABN Bank	15	Co-operative Bank	*15	NatWestminster	15
Adam & Company	15	Coutts & Co	15	Northern Bank Ltd	15
Allied Trust Bank	15	Cyprus Popular Bk	15	Norwich Gen. Trust	15
Allied Irish Bank	15	Dunbar Bank PLC	15	Nykredit Mortgage Bank	15½
● Henry Ansbacher	15	Duncan Lawrie	15	PRIVATbanken Limited	15
Associates Cap Corp	15½	Equatorial Bank plc	15	Provincial Bank PLC	16
● B & C Merchant Bank	15	Exeter Trust Ltd	15½	Roxburghe G'rantee	15½
Bank of Baroda	15	Financial & Gen. Bank	15	Royal Bk of Scotland	15
Banco Bilbao Vizcaya	15	First National Bank Plc.	16½	Royal Trust Bank	15
Bank Hapoalim	15	● Robert Fleming & Co.	15	● Smith & Williamson Secs.	15
Bank Credit & Comm	15	Robert Fraser & Ptnrs.	15½	Standard Chartered	15
Bank of Cyprus	15	Girobank	15	TSB	15
Bank of Ireland	15	● Guinness Mahon	15	● United Bk of Kuwait	15
Bank of India	15	HFC Bank plc	15	United Mizrahi Bank	15
Bank of Scotland	15	● Hambros Bank	15	Unity Trust Bank Plc	15
Banque Belge Ltd	15	Hampshire Trust Plc	15½	Western Trust	15
Barclays Bank	15	Heritable & Gen Inv Bnk.	15	Westpac Bank Corp.	15
Benchmark Bank PLC	15	● Hill Samuel	§15	Whiteaway Laidlaw	15
Brit Bk of Mid East	15	C. Hoare & Co.	15	Yorkshire Bank	15
● Brown Shipley	15	Hongkong & Shangh	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bnk.	15		
Clydesdale Bank	15	Midland Bank	15		
Comm. Bk. N. East	15	Mount Banking	15		
		Nat Bk. of Kuwait	15		

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MONEY MARKETS

London rates ease

There was some *disappointment but no major* surprises for the domestic money markets in London and Frankfurt yesterday. Traders in Paris were also mildly disappointed that the Bank of France did not cut its 9¾ per cent money market intervention rate, but believe a reduction is possible in the near future, thanks to recent good French economic data and the relative strength of the franc.

UK clearing bank base lending rate
15 per cent
from October 5

Wholesale interest rates eased slightly in London, in reaction to an early improvement by sterling, rather than figures showing a fall in industrial production and rising unit labour costs. The data increased fears of UK "stagflation", but three-month interbank eased to 15⅞-15¾ per cent from 15$\frac{1}{32}$-15$\frac{3}{32}$. One-year money declined to 15¾-15⅝ per cent from 15$\frac{13}{16}$-15$\frac{11}{16}$.

On Liffe the spread between September and June delivery short sterling futures has narrowed considerably over the last week or so, but stabilised at around 9 basis points yesterday. Fear that bank base rates will not be cut before delivery of either contract led to a narrowing of the spread, as the higher *priced September contract fell* more sharply than the near month.

The day-to-day credit situation improved on the London money market, but reamined fairly tight. The Bank of England initially forecast a shortage of £650m, but revised this to £600m in the afternoon. Total help of £538m was provided.

Before lunch the authorities bought £13m bank bills in band 2 at 14¾ per cent. In the afternoon a further £500m bills were purchased, by way of £95m bank bills in band 1 at 14⅞ per cent and £405m bank bills in band 2 at 14¾ per cent. Late assistance of around £25m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £576m, with Exchequer transactions absorbing £260m, and a rise in the note circulation £55m. These outweighed bank balances above target of £240m.

In Frankfurt dealers were not surprised that the Bundesbank drained DM3.7bn at yesterday's securities repurchase agreement tender. The central bank accepted bids totalling DM17bn for 28-day and 63-day funds, against two expiring pacts of DM20.7bn. Call money was unmoved by the news, remaining at 7.80 per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. Apr.18) 3 months US dollars		6 months US Dollars	
bid 8⅜	offer 8½	bid 8⅜	offer 8⅝

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

		Treasury Bills and Bonds			
Prime rate	10	One month	7.61	Three year	8.77
Broker loan rate	9⅞	Two month	8.03	Four year	8.79
Fed funds	8$\frac{5}{16}$	Three month	8.01	Five year	8.78
Fed funds at intervention	-	Six month	8.22	Seven year	8.82
		One year	8.40	10-year	8.81
		Two year	8.74	30-year	8.80

Apr.18	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.80-7.90	7.80-7.90	7.95-8.10	8.10-8.25	8.50-8.65	8.00
Paris	9⅞-9⅞	9$\frac{15}{16}$-9$\frac{13}{16}$	-	9$\frac{15}{16}$-10$\frac{1}{16}$	-	9.75
Zurich	8⅞-8⅝	9-9⅛	-	8⅞-9⅛	-	-
Amsterdam	8.18-8.31	8.34-8.42	-	8.45-8.55	-	-
Tokyo	7⅛-7⅜	7⅜-7$\frac{11}{16}$	-	7$\frac{11}{16}$-7$\frac{13}{16}$	-	-
Milan	11⅝-12⅛	11¾-12⅛	-	12⅛-12⅜	-	-
Brussels	9.20	10-10⅛	-	10⅛-10⅜	-	-
Dublin	10⅞-11	11⅝-11¾	11⅝-11⅞	11⅞-12	12⅛-12⅜	-

LONDON MONEY RATES

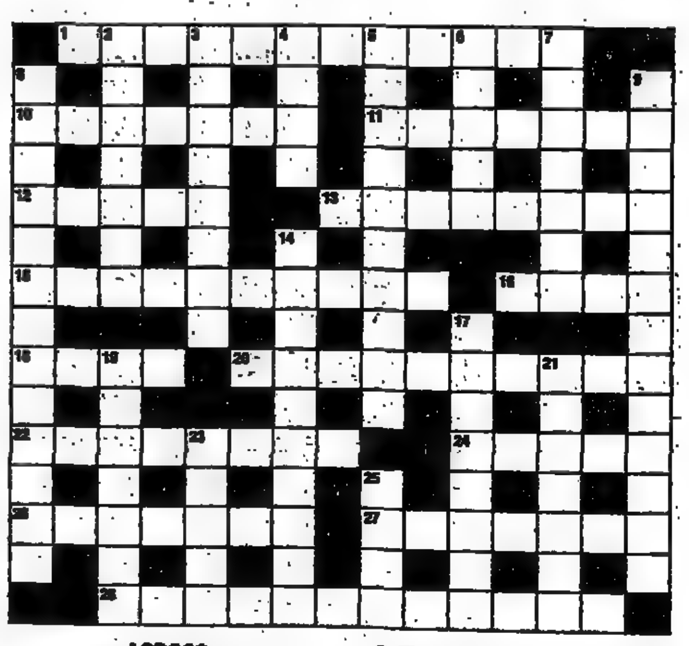
Apr 18	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	15⅛	15	15	15⅛	15½	15$\frac{13}{16}$
Interbank Bid	13	14⅞	14$\frac{13}{16}$	15⅛	15⅜	15$\frac{11}{16}$
Sterling CDs	-	-	14$\frac{15}{16}$	15$\frac{3}{32}$	15$\frac{13}{32}$	15⅝
Local Authority Deps.	14$\frac{13}{16}$	14$\frac{13}{16}$	14$\frac{15}{16}$	15⅛	15⅜	15⅝
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	14$\frac{13}{16}$	14⅞	14$\frac{15}{16}$	14$\frac{15}{16}$	-	-
Company Deposits	-	-	15	15$\frac{1}{16}$	15½	15¾
Finance House Deposits	-	-	15	15$\frac{3}{16}$	15½	15$\frac{13}{16}$
Treasury Bills (Buy)	-	-	14$\frac{11}{16}$	14¾	-	-
Bank Bills (Buy)	-	-	14$\frac{13}{16}$	14$\frac{13}{16}$	14⅞	-
Fine Trade Bills (Buy)	-	-	15$\frac{1}{16}$	15⅛	15	-
Dollar CDs	-	-	8.35	8.43	8.55	8.83
SDR Linked Dep. Offer	-	-	9⅛	9⅜	9⅜	9$\frac{11}{16}$
SDR Linked Dep. Bid	-	-	9	9⅛	9⅛	9$\frac{7}{16}$
ECU Linked Dep. Offer	-	-	10⅛	10⅜	10⅝	10¾
ECU Linked Dep. Bid	-	-	10⅛	10⅜	10½	10⅝

Treasury Bills (sell); one-month 14$\frac{11}{32}$ per cent; three months 14$\frac{11}{16}$ per cent; Bank Bills (sell); one-month 14$\frac{11}{16}$ per cent; three months 14$\frac{23}{32}$ per cent; Treasury Bills; Average tender rate of discount 14.6170 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day March 30, 1990. Agreed rates for period April 25 to May 25, 1990, Scheme I: 15.90 p.c., Schemes II & III: 16.57 p.c. Reference rate for period March 1, 1990 to March 30, 1990, Scheme IV&V: 15.311 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15½ from April 1, 1990: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 11¼ per cent, one-three months 13 per cent, three-six months 13 per cent; six-nine months 13 per cent; nine-twelve months 13 per cent; Under £100,000 11½ per cent from Oct 9, 1989. Deposits withdrawn for cash 5 per cent.

JOTTER PAD

CROSSWORD

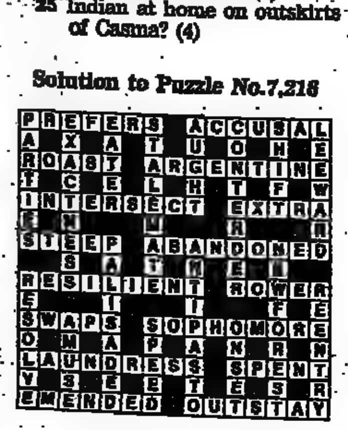
No.7,217 Set by DINMUTZ



ACROSS
1 Fabulous riches here, in hollow of light rubber (8,4)
10 German XI tangle in the Strand, we hear (3-4)
11 Overhead delivery that comes as a relief? (3-4)
12 Harmony in marriage (5)
13 Out of view of the house (3-5)
15 One in no position to be silly (10)
16 Henry in saloon for fish (4)
18 Volume turned up for this weighty work! (4)
20 Blue, perhaps? No, a painted alternative! (10)
22 Muse of Descartes? (8)
24 Embarrassed in firm system of belief (5)
26 Light in case *one* takes a slide (7)
27 More stylish if I rent mobile? (7)
28 Sky-pilot grounded? (4,8)

DOWN
2 Radical fellow among titles, improbably (7)
3 Panel-member dead by the saw (8)
4 Prepares to print some pink sheets (4)
5 Does this piece of harness pinch a little? (7-3)
6 Hanging arranged as follows (5)
7 How 20 may make 17 address? (7)
8 Air Force degrees? Absolute farce, it turns out (8,5)
9 Come up and be seen in royal circles (6,2,5)
14 Like whale-food as pick-me-up on board (10)
17 Full of sound about foul vice (9)
19 Spy in Massachusetts battle (7)
21 Those honourably retired send me back, I get weary standing up (7)
23 The jolly hot baths (5)
25 Indian at home on outskirts of Casma? (4)

Solution to Puzzle No.7,216



WORLD STOCK MARKETS

AUSTRIA

April 18	Sch.	+ or −
Austrian Airlines	5,000 xr	—
Creditanstalt	6,700	−200
Goesser	7,360	—
Interunfall	26,700	+700
Jungbunzlauer	18,250	−30
Laenderbank	1,980	—
OeMV	12,800	−200
Perlmooser	2,170	—
Reininghaus	2,880	−110
Semperit	190	−1
Steyr-Daimler	240	—
Veitscher Mag	1,395	−10
Verbund	700	−7

BELGIUM/LUXEMBOURG

April 18	Frs.	+ or −
Arbed	5,440	+40
B.B.L.	3,020	—
Bank Intl. a Lux	15,500	—
Banque Gen. Du Lux	14,850	—
Banque Nat Belg	33,800	−300
Barco	2,295	+20
Bekaert B	15,550	−225
Ciment CBR	8,020	+120
Cobepa	5,750	+70
Do. AFV 1	5,750	—
Cockerill	204	−1
Colruyt	23,100	−25
Delhaize	5,830	+30
EBES	4,220	—
Do. AFV 1	4,230	+30
Fabrique Nat	352	−5
GIB Group	1,340	+10
Do. AFV	1,328	−4
GBL (Bruxl)	3,975	−25
Do. AFV 1	3,980	+5
Gechem	848	+6
[illegible]	[illegible]	[illegible]

FRANCE (continued)

April 18	Frs.	+ or −
Bongrain	3,099	−11
Bouygues	662	−13
BSN	1,487	+7
CMB Packaging	185	+2.5
Carrefour	3,560	−55
Casino	154.9	+2.8
Cetelem	596	−4
Chargeurs	1,188	−9
Ciments Fr.	1,625	−7
Club Mediterranee	715	−5
Coflexip	415	—
Cogifi	375	+10
CGE	630	−10
Coparex	495	−5
CCF	243.5	—
Cred Foncier Fr	1,395	−4
Cred Lyonn (CI)	737	−3
Credit National	1,456	+6
Damart	3,460	+5
Docks de France	3,900	—
Dollfuss-Mieg	580	—
Dumez S.A.	643 xc	−2
Eaux (Cie Gen)	2,625	−25
Ecco	592	−6
Electrofin'ce	1,012	−23
Elf-Aquitaine	640	−17
Do. Certs	495	+5
Essilor-Bertrand	1,299	−1
Essilor	2,501	−84
Eternit (Fin.)	2,466	+49
Eurafrance	2,302	+37
Eurocom	1,994	−21
Euro Disneyland	103	−0.3
Euromarche	3,775	+15
Exor	1,830	−5
Filoextel	198	+4
Fonciere Lyons	945	−15
Fromageries	2,365	+34
[illegible]	[illegible]	[illegible]

GERMANY (continued), ITALY (continued), NETHERLANDS, SWEDEN, SWITZERLAND, NORWAY, DENMARK, FINLAND, FRANCE, SPAIN, SOUTH AFRICA, JAPAN, HONG KONG, AUSTRALIA, MALAYSIA, SINGAPORE: [illegible]

CANADA

TORONTO

2pm prices April 18

Sales	Stock	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32400	Cantor	$27	26¾	26¾	− ⅛
200	Cascom A	$19⅝	19⅝	19⅝	− ⅛
500	Cara	$15⅞	15⅞	15⅞	+ ⅛
800	Cara A f	$15¾	15½	15¾	+ ⅛
30800	Carena	$22½	22	22	− ¼
2500	Cascades	415	410	410	+ 5
1350	Celanese	$30⅛	30	30⅛	+ ⅛
2575	Can Capital	$8⅛	8⅞	8⅛	− ⅛
39350	CanCap A	$8	7⅞	7⅞	− ⅛
9200	CantFd A	$6	5⅞	6	+ ⅛
2200	C Gear Tre	$9½	9¼	9⅛	+ ⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
600	Hawker	$26	25½	26	+ ½
827	Hayes D	$12⅝	12¼	12¼	
28160	Hees Intl	$25⅝	25½	25½	
50540	Hemlo	$13⅞	13⅝	13⅞	+ ⅛
4000	Hollingr	$12	11⅞	12	− ⅛
200850	Horsham f	$8¼	8⅛	8⅛	− ⅛
13846	H Bay Co	$30½	29⅝	29¾	− ½
18392	Imasco L	$36	35⅝	35⅝	− ¼
28279	Imp Oil A	$58½	58⅛	58⅛	
136825	Inco	$29⅛	28⅝	28⅞	− ⅛
15200	Ipsco	$5¼	490	490	− 60
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
272091	Placer Dm	$19⅝	18⅞	19⅛	+ ⅛
12800	Poco Pet	$7	6⅞	6⅞	− ⅛
70350	Powr Cor f	$15⅝	15⅛	15⅛	− ⅛
5400	Powr Fin	$19¼	18⅞	18⅞	
9660	Provigo	$9½	9⅜	9⅜	+ ⅛
1400	Que Tel	$14⅞	14⅞	14⅞	+ ⅛
900	Quebcor A	$13	12⅞	12⅞	
132290	Ranger	$7⅛	7	7	− ⅛
2100	Rayrock f	$9	9	9	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
400	Wst Fraser	$18⅞	18⅞	18⅞	+ ⅛
4484	Wcoast E	$21⅛	20⅞	20⅞	
11847	Westmin	$8⅜	8⅛	8⅛	+ ⅛
8967	Weston	$38⅛	38	38⅛	
8815	Woodwd A	175	165	175	

f—No voting rights or restricted voting rights.

INDICES

NEW YORK

DOW JONES	Apr 17	Apr 16	Apr 12	Apr 11	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
◊Industrials	2765.77	2763.06	2751.80	2729.72	2810.15 (2/1)	2543.24 (30/1)	2810.15 (2/1/90)	41.22 (2/7/32)
Home Bonds	90.19	90.34	90.37	90.26	93.04 (3/1)	90.19 (17/4)	—	—
Transport	1185.63	1188.66	1191.50	1181.19	1201.10 (2/1)	1031.83 (30/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	213.72	213.15	212.78	213.03	236.23 (2/1)	212.78 (12/4)	236.23 (2/1/90)	10.50 (8/4/32)

◊Day's High 2774.77 (2793.47) Low 2738.29 (2748.47)

STANDARD AND POOR'S	Apr 17	Apr 16	Apr 12	Apr 11	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	344.68	344.74	344.34	341.92	359.69 (2/1)	322.98 (30/1)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	400.29	400.42	399.96	397.12	411.20 (2/1)	371.92 (30/1)	411.20 (2/1/90)	3.62 (21/6/32)
Financial	28.40	28.25	28.28	27.95	31.67 (3/1)	27.15 (6/4)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	188.91	188.94	188.80	187.57	198.00 (2/1)	178.45 (30/1)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	354.72	356.98	357.86	357.54	382.45 (5/1)	345.50 (30/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	435.42	436.70	436.31	433.53	460.90 (3/1)	410.72 (30/1)	485.73 (9/10/89)	54.87 (31/10/72)

	Apr 6	Mar 30	Mar 23	year ago (approx.)
Dow Industrial Div. Yield	4.03	4.06	4.06	3.62

	Apr 11	Apr 4	Mar 28	year ago (approx.)
S & P Industrial div. yield	3.04	3.05	3.04	3.24
S & P Indl. P/E ratio	15.13	15.09	15.07	12.79

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
NCR	2,104,500	65⅛	− 5⅛
IBM	1,916,900	111⅛	+ ¼
Utd Telecomms	1,627,000	39⅞	− ¼
Citicorp	1,496,200	24½	+ ¼
Gen Electric	1,453,200	66⅞	+ ⅛
Philip Morris	1,342,800	43	+ ⅛
Am Express	1,292,900	29¼	+ ⅛
Ames Dept St	1,130,900	2⅞	+ ⅛
Fannie Mae	1,000,000	36⅛	—

TRADING ACTIVITY

† Volume (Millions)	Apr 17	Apr 16	Apr 12
New York	127.990	142.810	143.474
Amex	10.957	11.613	11.395
NASDAQ	(u)	124.651	141.413
Issues Traded	1,991	1,995	1,985
Rises	656	705	891
Falls	838	766	560
Unchanged	497	524	534
New Highs	20	41	33
New Lows	52	35	26

CANADA

TORONTO	Apr 17	Apr 16	Apr 12	Apr 11	1990 HIGH	1990 LOW
Metals & Minerals	2985.20	3029.50	3061.60	3092.80	3453.05 (4/1)	2921.03 (23/2)
Composite	3513.40	3549.30	3561.20	3565.30	4009.47 (3/1)	3513.40 (17/4)
MONTREAL Portfolio	1803.83	1819.52	1829.33	1835.61	2060.90 (3/1)	1803.83 (17/4)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Apr 18	Apr 17	Apr 16	Apr 13	1990 HIGH	1990 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1501.4	1499.2	(c)	(c)	1715.7 (12/1)	1498.4 (12/4)
All Mining (1/1/80)	760.6	762.5	(c)	(c)	860.8 (5/1)	760.6 (18/4)
AUSTRIA						
Credit Aktien (30/12/84)	667.92	673.98	(c)	(c)	703.29 (19/3)	526.59 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6122.64	6142.13	(c)	(c)	6599.43 (12/1)	5568.16 (26/2)
DENMARK						
Copenhagen SE (3/1/83)	363.79	364.40	(c)	(c)	380.47 (28/3)	358.77 (2/1)
FINLAND						
Unitas General (1975)	596.9	601.5	(c)	(c)	677.3 (23/1)	590.5 (2/1)
FRANCE						
CAC General (31/12/82)	553.79	553.07	(c)	(c)	554.7 (5/1)	482.94 (26/2)
CAC 40 (31/12/87)	2098.68	2126.34	(c)	(c)	2126.34 (17/4)	1800.32 (26/2)
GERMANY						
FAZ Aktien (31/12/58)	802.56	809.73	(c)	(c)	830.92 (3/4)	732.71 (24/1)
Commerzbank (1/12/53)	2327.6	2349.5	(c)	(c)	2414.0 (3/4)	2151.5 (24/1)
DAX (30/12/87)	1889.76	1914.35	(c)	(c)	1960.55 (30/3)	1756.41 (24/1)
HONG KONG						
Hang Seng Bank (31/7/64)	3052.35	3020.44	(c)	(c)	3020.44 (17/4)	2738.24 (1/2)
IRELAND						
ISEQ Overall (4/1/88)	1712.77	1717.95	(c)	(c)	1893.10 (22/1)	1712.77 (18/4)
ITALY						
Banca Com. Ital. (1972)	713.01	713.06	(c)	703.64	713.06 (17/4)	646.73 (26/2)
JAPAN						
Nikkei (16/5/49)	29249.06	28461.60	28463.18	29213.92	38712.88 (4/1)	28002.07 (2/4)
Tokyo SE (Topix) (4/1/68)	2167.96	2123.57	2129.77	2165.09	2867.70 (4/1)	2058.82 (3/4)
2nd Section (4/1/68)	3524.56	3507.80	3518.83	3553.25	4284.68 (9/2)	3313.92 (5/4)
MALAYSIA						
KLSE Composite (4/4/86)	550.39	553.26	553.18	556.82	622.20 (20/2)	532.04 (9/4)
NETHERLANDS						
CBS Tll.Rtn.Gen.(End 1983)	259.7	258.2	(c)	(c)	269.0 (3/1)	240.1 (26/2)
CBS All Shr (End 1983)	198.6	197.6	(c)	(c)	206.3 (3/1)	184.2 (26/2)
NORWAY						
Oslo SE (2/1/83)	796.29	794.80	(c)	(c)	845.40 (16/3)	701.67 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	1094.52	1096.77	1096.02	(c)	1160.70 (21/3)	1014.09 (5/3)
SINGAPORE						
SES All-Singapore (2/4/75)	420.58	419.31	419.80	(c)	443.34 (6/2)	413.64 (24/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1804.04	1901.0	(c)	(c)	2230.0 (16/1)	1804.0 (18/4)
JSE Industrial (28/9/78)	2874.04	2873.0	(c)	(c)	3211.0 (6/2)	2795.0 (2/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	781.53	796.56	777.00	803.15	928.82 (4/1)	777.00 (16/4)
SPAIN						
Madrid SE (30/12/85)	276.49	269.91	263.74	(c)	302.85 (4/1)	248.17 (2/4)
SWEDEN						
Affärsvärlden Gen. (1/2/37)	1153.50	1146.90	(c)	(c)	1317.88 (12/1)	1127.20 (2/4)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	752.1	752.6	(c)	(c)	787.2 (11/1)	737.6 (27/3)
TAIWAN**						
Weighted Price (30/6/66)	8994.40	9291.61	9419.32	9603.72	12495.34 (10/2)	8994.40 (18/4)
THAILAND						
Bangkok SET (30/4/75)	835.90	843.97	843.79	(c)	918.67 (5/1)	760.39 (7/2)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	482.6	482.8	486.3	571.0 (4/1)	468.3 (2/4)

**Saturday Apr.14: Taiwan Weighted Price: 9436.12 Korea Comp Ex. 795.14

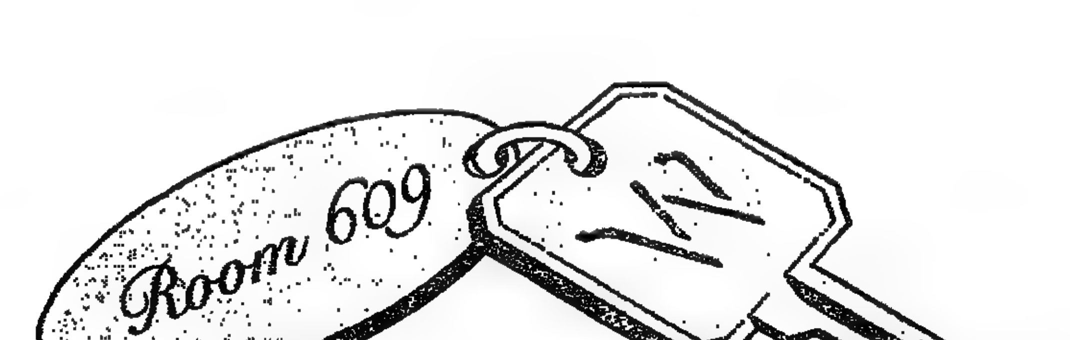
& Subject to official recalculation.

δBase values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Wednesday April 18 1990

	Stocks Traded	Closing Prices	Change on day
Mitsui Shp&Eng	22.5m	886	+40
Nippon Steel	23.1m	891	+11
MHI	19.1m	842	+12
Nippon Mining	18.7m	845	+62
Hitachi	17.9m	1,800	+40
NKK	11.9m	547	+11
Sasebo	10.5m	828	+33
Toray	8.7m	836	+44
TDK	8.6m	6,640	+460
Toshiba	7.8m	1,020	0



3pm prices April 18

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
37½	27	AAR	.48	1.7	17	1982	28⅜	27⅜	27⅜	– ⅞
9¾	8½	ACM n	1.01	11.		92	8⅞	8⅝	8⅞	+ ⅛
11⅝	10⅛	ACMIn	1.26	12.		281	10½	10⅜	10⅜	– ⅛
9⅞	7⅛	ACM M n	1.01	13.		283	7⅞	7⅝	7⅝	
12⅛	11⅝	ACMMM				228	11⅝	11½	11½	
11½	9⅝	ACM Sc	1.26	12.		694	10⅛	10⅛	10⅛	
9⅝	8⅛	ACMSp	1.01	12.		510	8⅝	8⅛	8⅛	
22⅝	13⅛	AL Lab	.16	.7	21	14	22	21⅞	21⅞	
6⅞	2½	AM Intl			6	435	2⅝	2½	2½	
23⅛	15⅛	AM In pf	2	14.		81	15⅛	d14⅝	14⅝	– ⅝
107⅛	52½	AMR			9	2848	65½	64½	64½	– ⅞
27	25	ANR pf	2.67	10.		3	25⅝	25⅝	25⅝	– ⅛
24⅞	23	ANR pf	2.12	9.2		2	23	23	23	
5⅛	3⅛	ARX				39	3⅛	3⅛	3⅛	
72⅛	39	ASA	3a	5.8		1006	51⅞	49⅞	51⅝	+ 1⅞
70⅝	53⅝	AbtLab	1.68	2.5	17	3271	69⅝	68½	68½	– ⅞
17⅛	11⅛	Abitibi g	.50			39	13	13	13	
13	8⅞	AcmeC	.40	4.2	11	10	9⅝	9½	9½	+ ⅛
9¾	7⅛	AcmeE	.32	3.9	11	5	8⅝	8⅛	8⅛	– ⅛
38½	28⅞	Acusn			22	182	36½	35⅝	35⅝	– ¾
16½	13⅛	AdaEx	2.06e	13.		97	15⅛	15⅛	15⅛	
15⅝	7⅝	Adobe				129	12	11⅞	12	– ⅛
20⅛	16⅞	Adob pf	1.84	9.7		45	19	18⅞	19	+ ⅛
21⅝	19⅞	Adob pf	2.40	12.		42	20⅝	20⅝	20⅝	– ⅛
10½	6⅞	AMD			19	1906	9	8⅞	8⅞	– ⅛
35	30⅛	AMD pf	3	9.5		6	31½	31⅛	31½	
10⅛	4⅛	Advest	.16	3.7	6	137	4½	4⅛	4⅜	
62½	48⅝	AetnLf	2.76	5.6	9	1169	49⅝	49	49⅛	– ¾
14	9⅞	AfilPb	.24	2.3		110	10⅝	10⅜	10½	+ ⅛
25	16⅝	Ahmans	.88	5.1	9	3757	17½	17	17⅛	
3⅞	1⅞	Aileen				42	2⅛	2⅛	2⅛	+ ⅛
53⅛	40	AirPrd	1.32	2.6	13	765	51⅛	50⅝	50⅝	– ⅞
[illegible]										

Continued on Page 49

NYSE COMPOSITE PRICES

Continued from previous Page

[illegible]

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Chg
19½	13¾	VanDrn	.80	3.5	28	8	17	17	17	+ ¼
9⅞	8¼	VKmpM	.86	7.2		150	9½	9½	9½	
9⅞	6⅛	VKMT	1.04e	16.		594	7	6⅞	7	+ ⅛
12⅞	11⅛	VKMI	n.23e	1.9		37	11⅞	11⅞	11⅞	− ⅛
12⅞	8⅛	VKML	1.20e	14.	34	208	8¾	8⅝	8¾	
25	24	VKmL	pf			22	24⅝	24½	24⅝	+ ⅛
9⅞	4	Varco			64	654	8⅝	8⅝	8⅝	
38⅝	19⅞	Varian	.28	1.1	16	278	24¾	24¼	24⅜	− ⅛
3½	2	Varity			8	3084	3	2⅞	2⅞	
23⅞	18⅝	Varity	pf1.30	6.3		60	20⅝	20⅝	20⅝	+ ⅛
14	12⅛	VestSe	1.20a	9.1	11	8	13⅛	13⅛	13⅛	− ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales infull. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices April 18

[illegible]

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
PlyGem	.12	8	61	7¾	7½	7⅝	− ⅛
Presd A	.10		72	6¼	6	6¼	

NASDAQ NATIONAL MARKET

3pm prices April 18

[illegible]

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
XL Dta		6	229	8½	8	8	− ⅛
XOMA			6139	21	19½	19¾	−1
Xicor			3248	2¾	d2 5-16	2½	− ⅛
YanEnS	1.74e	12	24	20	19¼	19¾	
YelowF	.76	42	1242	28⅛	26¾	27	− ⅞
YorkRs		20	790	12	11½	11½	− ⅜
ZionUt	1.44	12	276	28¼	27⅝	27¾	+ ¼

AMERICA

Equities decline despite reduced US trade gap

Wall Street

AFTER holding steady in the immediate wake of yesterday's better than expected US trade figures, equities then slumped as yields in the Treasury market surged to their highest levels for nearly a year, *writes Janet Bush in New York.*

At 2pm, the Dow Jones Industrial Average was quoted 14.64 points lower at 2,751.13 on moderately active volume of 95m shares. On Tuesday, the Dow had recovered from a morning loss of more than 20 points to end 2.71 points higher at 2,765.77.

Other major indices were sharply lower at midsession. The Nasdaq Composite index of over-the-counter stocks was quoted 2.49 points lower at 432.93.

The trade figures should have been encouraging for the equity market. The deficit in February was $6.49bn, the lowest it has been since December 1983, compared with a revised $9.32bn shortfall in January. Estimates for the February trade balance had been for a deficit of near to $7.5bn. Some economists predicted that the improvement in the trade balance could add more than 1 per cent to first quarter GNP, leaving economic growth in the first three months at more than 2.5 per cent.

There was some modest buying of stocks at the opening but this was short-lived and equities started to fall as the Treasury bond market fell sharply. At midsession, the benchmark long bond was quoted more than a full point lower to yield 8.81 per cent, its highest level in nearly a year.

Another unhelpful factor was that the dollar dropped after the trade figures to be quoted at Y158.80 at midsession compared with a high of Y160.15 earlier. The reason for the dollar's drop was that it had risen sharply overnight on rumours that the deficit in February would be only $4bn.

Rising yields in the bond market in the wake of Tuesday's news of a substantial rise in consumer prices last month led the markets to believe that the US Federal Reserve has little scope to further ease monetary policy. It is already known that there is a strong body of opinion within the Federal Open Market Committee in favour of tightening. Most of the economic evidence released recently points to inflationary pressures and fairly robust economic activity, even in the manufacturing sector.

Quarterly earnings reports continued to flood the market yesterday. Tandem Computers rose $⅞ to $23⅞ on a 59 per cent rise in its net income in the first quarter compared with a year earlier. Phelps Dodge added $⅝ to $62⅞. Its net income of $3.20 a share in the first quarter was below the year-ago level but exceeded analysts' expectations.

Polaroid fell $1⅞ to $43⅞ after the company reported a disappointing 23 per cent rise in its first quarter earnings and scaled back its estimates for earnings this year. Merck gained $⅝ to $74⅞ on higher than anticipated earnings but Coca-Cola dropped $⅝ to $79⅞ after it reported its first quarter results. Great American Bank fell $⅝ to $3⅞. The bank needs to raise $350m in new capital by the end of the year because its auditor requires higher loan loss reserves.

Canada

TORONTO stocks fell to the day's lowest levels at midsession on Wall Street's fall after US February trade figures indicated the US economy was stronger than expected. The composite index slid 26.4 to 3,486.9 on volume of 14.56m shares. Declines led advances 284 to 195.

Nova Corp lost C$⅛ to C$7⅞ on volume of 1.82m shares after reporting on Tuesday that its first quarter earnings fell to 11 cents a share from 48 cents one year earlier. Bombardier's Class B shares gained C$⅛ to C$15⅞ after the company said holders of Class B shares had a right to a priority dividend of 2.5 cents.

EUROPE

Frankfurt and Paris bow to Stockholm and Madrid

CAUTION was the order of the day in senior bourses, with profit-taking in France and nervousness in West Germany; but the healthy gains in Sweden and Spain suggest that some investment money is still looking for a home, *writes Our Markets Staff.*

PARIS entered its second day of profit-taking before the end of the monthly account on Friday. The market was also clouded by Thomson CSF's 11 per cent drop in 1989 profits. The stock fell FFr5.20 or 3.49 per cent to FFr144. Peugeot fell FFr31 to FFr887 before announcing a 16 per cent rise in attributable net profit to FFr10.30bn after the market closed. The figure was broadly in line with analysts' expectations though some optimists had been going for FFr11bn.

In smaller stocks, Radiotéchnique, the electronics and high-definition television company, jumped FFr23 or 3¼ per cent to FFr710 on speculation that the Dutch group Philips, which already owns 52 per cent of the company, might seek to buy in the outstanding shares. The CAC 40 index came off a high of 2,128.90 at the opening to close 27.66 lower at 2,098.68. Turnover was estimated at around Tuesday's FFr 2.5bn.

FRANKFURT fell on general and specific fears, the general covering German monetary union and tension in Lithuania, and the specific treating with economic reforms in Brazil and their effects on German companies. After a 7.17 fall to 802.56 in the FAZ index at midsession, the DAX closed 24.69, or 1.3 per cent lower at 1,889.76.

Volume rose from DM5.9bn to DM6bn and, within that, Mannesmann topped the most active lists in turnover of DM838m. The engineering group, which has Brazilian interests, fell DM17.50 (4.5 per cent) to DM369 on a UK broker's sell recommendation; the Brazilian government's radical anti-inflation policies are said to be strangling the industrial sector of the country's economy.

The big international blue chips fell with the market. In motors, BMW and Volkswagen dropped by more, shedding DM11.50 to 574.50 and DM10.90 to DM579.20. VW is a partner in the Brazilian-Argentine Autolatina joint venture with Ford Motor. A small bright light in the sector was Porsche, which made another new high at DM1,165, up DM8.

AMSTERDAM was initially depressed by Frankfurt's weakness but picked up later in the day. Transport group Nedlloyd was hit by professional profit-taking, and stock closed 70 cents lower at Fl 107.10. It then reported a rise in 1989 net profit to Fl 252.3m from Fl 153.6m and raised its dividend from Fl 3.00, adjusted for a share split, to Fl 3.30, after the market closed.

The lower dollar depressed international stocks, and interest continued to centre on domestic stocks in sectors such as publishing, and office equipment. Wolters Kluwer, which said it had sold five of its printing units to ODH Group as part of its strategy to focus on its core activities, rose Fl 3.20 to Fl 54.30.

Philips, under pressure recently, edged up 30 cents to Fl 40.90. The chemical group DSM, which said its operating profit so far this year was growing at a similar pace to that in the second half of 1989, rose Fl 2.30 to Fl 126.40. The CBS tendency index ended 1.1 higher at 120.2 and turnover was relatively heavy at FL 912m, well above recent levels of around FL 500m.

MILAN ended mixed in lively trading as some profit-taking set in after two days of strong gains. The Comit index lost a marginal 0.05 to 713.01. Fiat rose L67 to close at L10,815 but fell back to L10,760 in the after-market. Generali, which has been well bid in recent sessions, added L400 to L41,200 but it too slipped in the after-market, to L40,850. In the chemical sector, Enimont settled at L1,458, down L8, while Montedison managed to climb above the L2,000 level and close at L2,009, up L10. Mr Carlo de Benedetti's CIR holding company fell L10 to L5,360 in spite of local news reports, yet to be confirmed, that Mr de Benedetti might soon sell his 15.4 per cent stake in Société Générale de Belgique.

STOCKHOLM was led higher by Ericsson on further signs that it was successfully penetrating the lucrative US telecommunications market. The removal of a turnover tax penalising own-account trading also helped sentiment. Ericsson's free B shares rose SKr26 to SKr913. The insurance company, Skandia, rose SKr8 to SKr175 after reporting 1989 profits 80 per cent higher at SKr1.7bn. The Affärsvärlden general index rose 6.6 to 1,153.5.

MADRID registered its strongest close of the year to the open outcry session, on continued demand for construction stocks. The general index rose 7.56, or 2.8 per cent, to 277.47. Dealers said that a consensus was growing that this week's gains were more than just a technical correction.

BRUSSELS was pressured by profit-taking in Société Générale de Belgique and Solvay, and the cash market index fell 19.49 to 6,122.64. Volume was light at BFr634m.

SGB lost BFr45 to BFr3,350, and Solvay BFr175 to BFr13,850, on profit-taking following mildly bullish earnings reports on Tuesday.

Singapore limps into the second quarter

Joyce Quek examines a dramatic decline in stock market volume in just four months

THE SINGAPORE stock market limped into the second quarter of this year. Against its 200m-share daily volume in early January, when the Singapore and Malaysian bourses split, trading has trickled down to what one analyst terms 'pre-Clob days', referring to the computerised trading system which tripled volume when adopted last year.

Average daily volume during the week before Easter fell to 59.9m shares, against 72.9m shares a week earlier. Last Monday recorded the year's lowest daily volume and, for the first time, fell lower than Kuala Lumpur – by 25.4m shares to 27.1m. Yesterday share prices closed mixed in another session of light trading. The Straits Times Industrial Index closed 7.48 higher at 1,534.11 but weaker Malaysian counters left the United Overseas Bank's OTC Index 4.31 lower at 904.16.

Most institutions were cautious, awaiting the release of the US February trade data. The combined main board and OTC market had 95 gains against 106 losses with volume rising to 34.2m shares against 32.2m shares on Tuesday. Activity was focused on the property stocks, DBS Land and Singapore Land, and Malaysian speculative issues such as Renong and Kamunting. Singapore Land ended the day at UIC's offer price of S$15.

This is a strange hiatus. As recently as March 27, the Straits Times Industrial Index hit an all-time high of 1607.12; and the corporate finance business has been having a heyday.

So far this month, four companies have announced their intention to obtain a public listing, two more have announced share apportionments following public offers and another three have actually been listed.

The region has seen its largest takeover bid, by United Industrial Corporation for Singapore Land – a rarity in that it is a hostile approach – a friendly takeover by Japan's Suntory of Cerebos Pacific, and several powerful Indonesian groups chasing Singapore targets. Some companies, and their advisers, clearly thought that the going was good.

"The market does get a bit schizophrenic," observes Ms Tan Poh-Hong, an assistant director of Prudential Asia Fund Management. On the one hand, fund managers, having sold some of their holdings at high levels, were sitting on fairly comfortable cash positions; on the other, comfortable with their profits, they were selling more.

Ms Tan says that there has been no panic selling. The current pattern is one of selective buying alternating with profit-taking.

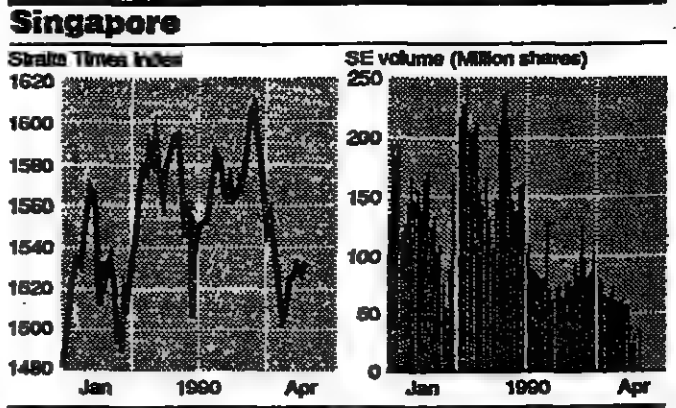
The Singapore market, like many regional bourses, is affected by the gyrations in Tokyo. Closer to home, there is concern over missing and forged share scrip in Malaysia; and forced selling of Malaysian counters traded on Clob International, the exchange's over-the-counter market, following rumours of problems among Malaysian broking houses.

Just as the year had started well for the Singapore exchange on good corporate and economic fundamentals, the rest of the first half is expected to be sluggish, say analysts. However, although 1989's 43 per cent growth in share prices may not be repeated this year, there could still be opportunities to make money in the second half.

"Our fundamentals are still very strong," says one market observer. "Companies could show 25 - 30 per cent growth in their profits this year."

Areas with big upward potential include construction companies, which are cyclical; shipyards, which will continue to show decent growth; and hotel and property companies, with room rates and rentals going up.

Singapore



ASIA PACIFIC

Nikkei sharply higher despite yen weakness

Tokyo

INVESTORS brushed aside Tuesday's gloomy mood, and selective buying took share prices sharply higher yesterday, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average gained 787.46 points to end at 29,249.06, just below the day's high of 29,250.35. It showed remarkable resilience in the face of further weakness in the yen, which fell to an intraday low of Y160.18 against the dollar. It also took a more sanguine view of Tuesday's discouraging news from the electronics sector on Tuesday and the high money supply data for March.

The leading index opened at 28,426.55, the low for the day and progressed higher. Advances led declines by 699 to 234 with 163 unchanged. Volume, at 488m shares, was sluggish but better than Tuesday's 424m. The Topix index of all listed stocks posted a firm gain of 39.39 to 2,167.96 and, in London, the ISE/Nikkei 50 index rose 11.31 to 1,707.17.

Bargain-hunting for blue chips, and professional buying in arbitrage with futures pushed share prices higher. "Prices have fallen to such low levels that they are attractive enough to encourage buying despite the weak yen," said Mr Mitsuru Maekawa at Jardine Fleming. A consensus was forming that share prices had reached their lows for now and would recover in the near term. Nevertheless, it would be a slow and extended climb back, even to the 30,000 level. "It is doubtful that there will be a sudden rebound to 30,000," said Mr Maekawa.

The bulk of buying came from trust banks, pension funds and securities houses, which were concerned about the fall in the value of their holdings, one analyst said. Another fear among institutions was that a further fall in share prices could trigger a major financial depression and burst the entire asset bubble, including real estate prices, which has helped Japanese companies to raise cheap funds and enhance their global competitiveness.

Buying interest centred on heavy industries and steels, with Mitsui Engineering and Shipbuilding topping the actives list in 29.5m shares. It gained Y40 to Y885. Nippon Steel followed with 28.1m shares and rose Y11 to Y591. Investors chose to forget their nervousness on Tuesday when a major newspaper reported that the profits of major electronics makers were likely to decline due to a soft semiconductor market. Electronics makers came back into favour on the continued rise of the dollar, since they are major exporters and should benefit from a weak yen.

Hitachi was in demand on optimism for its new 4 megabit D-Ram memory chips, said one analyst. Hitachi closed Y40 higher at Y1,600. Sony gained Y130 to Y8,400 and TDK, the maker of magnetic tapes surged Y460 to Y6,840.

In Osaka, a rise in electronics and constructions led the OSE average up by 332.85 to 31,063.14. Turnover rose from 33.1m to 42.6m.

Roundup

TOKYO'S recovery failed to revive spirits in the Pacific Rim, where most markets were more concerned with domestic matters.

HONG KONG ended higher for the fourth session in a row, on heavy buying of blue chips by UK institutions in the afternoon. The Hang Seng index jumped 31.91 to 3052.35, its highest level in more than 10 months. Turnover rose from HK$1.53bn to HK$1.55bn.

Utilities showed the largest advances followed by commercial, industrial and property issues. Stocks about to pay final cash dividends were also in demand.

TAIWAN failed to take heart from a cut in local interest rates and declined for the fifth consecutive session. The weighted index fell 297.21 or 3.2 per cent, to 8,994.40, closing below the 9,000 support level for the first time since December 28, 1989. Turnover eased to 1.01bn shares valued at NT$79.98bn from Tuesday's 1.05bn shares worth NT$81.55bn.

SEOUL rose sharply in the morning, the composite index rising above the important 800 level. But it was hit by last-minute selling, sparked by rumours of bankruptcies and worries that the market was about to go into free fall; it closed 15.08 lower at 781.53.

Dealers said the gloom centred on liquity problems of institutional investors. For example, three local investment trusts which purchased large amounts of stock late last year were said to face huge interest payments to banks.

NEW ZEALAND was dragged down by falls in some leading stocks, and the Barclays index fell 13.18 to 1,718.87.

Investors were concerned about the earnings of Goodman Fielder Wattie, Australasia's biggest food-processing group, and the stock fell 7 cents to NZ$1.88 on second highest turnover of 540,000 shares. Fletcher Challenge was also hit, dropping 5 cents to NZ$4.30. But Elders Resources, which has been under pressure in recent weeks, rose 2 cents to NZ$1.57.

Brierley Investments accounted for over half of the daily turnover in 4.6m shares, and closed 1 cent lower at NZ$1.59. News that New Zealand's consumer price index rose 0.9 per cent in the quarter ended March 31 was in line with market expectations.

MANILA hosted the listing of Bulletin Publishing, the country's oldest and largest newspaper group, which closed at 20.25 pesos, up 0.25 peso from its offering price. The composite index eased 2.25 to 1,094.52.

AUSTRALIA saw volumes boosted by the exercise of options, notably into CRA and Elders IXL. Turnover rose to 66m shares valued at A$174m from 56m shares valued at A$94m. The All Ordinaries index bounced back above the 1,500 support level to close 2.0 higher at 1,501.4. Weak international oil prices put downward pressure on some stocks.

SOUTH AFRICA

JOHANNESBURG was barely changed in thin trading. President FW de Klerk's speech to parliament on Tuesday, rejecting black majority rule in favour of power-sharing, had little impact. The JSE all-share index eased 3 to 3,100.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY APRIL 17 1990						MONDAY APRIL 16 1990			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1990 High	1990 Low	Year ago (approx)
Australia (81)	134.28	+0.0	121.80	116.73	+0.0	5.93	134.26	122.02	116.73	158.31	133.38	128.87
Austria (19)	280.25	+0.8	254.21	244.45	+1.2	1.09	278.08	252.70	241.53	285.63	183.15	123.56
Belgium (61)	148.52	−0.3	134.71	127.27	+0.1	4.49	148.98	135.38	127.12	160.02	132.11	135.94
Canada (120)	136.47	−1.2	123.79	115.43	−1.1	3.48	138.19	125.58	116.73	153.61	136.47	136.81
Denmark (36)	249.21	+0.1	226.05	217.01	+0.0	1.48	248.93	226.21	217.10	260.62	236.69	177.70
Finland (26)	135.87	+0.1	123.24	113.72	+0.2	2.41	135.76	123.37	113.44	152.29	130.39	159.16
France (125)	166.43	+0.6	150.96	147.18	+0.6	2.68	165.38	150.29	146.29	166.43	141.69	122.43
West Germany (94)	135.23	+0.3	122.66	117.90	+0.3	1.83	134.79	122.49	117.52	137.71	122.05	88.86
Hong Kong (48)	124.87	+1.0	113.26	124.96	+0.9	4.98	123.69	112.40	123.81	124.87	112.24	132.70
Ireland (17)	188.60	−0.2	171.07	166.61	+0.1	2.58	189.03	171.78	166.42	198.57	181.49	151.28
Italy (96)	103.12	+1.6	93.53	94.81	+1.6	2.43	101.50	92.23	93.44	103.12	91.85	83.82
Japan (454)	129.45	−0.4	117.42	130.84	+0.0	0.63	129.99	118.12	130.89	197.26	124.40	190.03
Malaysia (35)	217.02	−0.1	196.85	228.39	+0.0	2.36	217.33	197.49	228.34	245.32	208.65	174.61
Mexico (13)	411.54	+2.2	373.28	1253.34	+2.0	0.41	402.65	365.90	1229.14	411.54	324.58	173.50
Netherland (43)	140.84	+0.8	127.75	121.36	+0.7	4.65	139.68	126.93	120.46	145.66	130.43	122.03
New Zealand (17)	62.12	−0.3	56.35	57.05	−0.1	7.68	62.28	56.60	57.12	75.36	60.31	66.96
Norway (25)	230.03	+0.3	208.65	204.19	+0.7	1.64	229.41	208.47	202.79	245.90	202.34	196.16
Singapore (26)	189.99	+0.1	172.33	164.42	+0.3	1.83	189.73	172.41	163.98	199.38	179.70	155.59
South Africa (60)	183.30	−0.3	166.27	159.95	−0.5	3.70	183.92	167.13	160.80	251.39	180.87	135.51
Spain (42)	149.02	+1.4	135.17	120.40	+1.4	4.41	147.00	133.59	118.77	165.19	132.84	155.31
Sweden (35)	181.36	+0.8	164.49	164.17	+0.9	2.40	179.95	163.53	162.70	206.95	173.88	155.74
Switzerland (65)	91.48	−0.1	82.98	84.51	−0.1	2.32	91.57	83.21	84.56	99.12	88.75	77.79
United Kingdom (306)	146.90	−0.1	133.25	133.25	−0.3	4.96	147.06	133.64	133.64	164.31	144.69	148.08
USA (537)	139.41	+0.0	126.45	139.41	+0.0	3.44	139.43	126.70	139.43	145.40	130.61	124.49
Europe (990)	141.48	+0.3	128.33	125.28	+0.3	3.53	141.02	128.14	124.94	146.66	135.57	121.70
Nordic (122)	187.71	+0.4	170.26	160.28	+0.5	1.94	186.94	169.88	159.54	201.89	185.01	154.54
Pacific Basin (661)	129.44	−0.4	117.41	129.96	+0.0	0.98	129.90	118.05	129.98	192.75	124.65	185.12
Euro−Pacific (1651)	134.66	−0.1	122.14	128.87	+0.1	2.07	134.75	122.45	128.73	174.18	130.35	159.78
North America (657)	139.13	−0.1	126.20	137.83	−0.1	3.44	139.26	126.54	137.94	145.78	131.02	125.07
Europe Ex. UK (684)	136.18	+0.6	123.52	119.82	+0.6	2.69	135.38	123.02	119.09	136.18	124.81	105.19
Pacific Ex. Japan (207)	128.62	+0.3	116.67	116.44	+0.3	5.19	128.24	116.54	116.08	139.32	126.77	128.34
World Ex. US (1844)	135.35	−0.1	122.77	129.07	+0.1	2.13	135.50	123.13	128.98	173.77	131.30	158.71
World Ex. UK (2075)	134.61	−0.1	122.10	132.34	+0.1	2.35	134.70	122.41	132.24	162.00	130.80	145.13
World Ex. So. Af. (2321)	135.40	−0.1	122.82	132.19	+0.0	2.59	135.50	123.13	132.14	161.84	131.95	145.44
World Ex. Japan (1927)	140.31	+0.1	127.27	133.19	+0.1	3.55	140.18	127.39	133.10	145.52	135.25	124.02
The World Index (2381)	135.69	−0.1	123.08	132.39	+0.0	2.60	135.79	123.40	132.34	162.05	132.25	145.36

Constituent change 18/4/90: Deletion: Laing Props.(UK).Latest prices were unavailable for this edition.

SECTION III

FINANCIAL TIMES SURVEY

The liberalisation of the world's telecoms markets is gathering pace, spawning the introduction of new services and technologies. But the absence of competition on international routes means phone users are still being charged excessively. Hugo Dixon reports

Cable & Wireless satellite dish, Hong Kong island: governments are slowly realising the vital role that information flows play in the modern economy

INTERNATIONAL Telecommunications

Freeing the markets

THE demonopolisation of telephone networks started by Judge Harold Greene in the US in the 1980s is likely to become a global phenomenon in the 1990s.

Governments across the world are slowly realising the vital role that information flows play in the modern economy. Access to cheap, flexible and varied communications facilities can make the difference between an industrial laggard and an industrial star.

The UK and Japan were the first to follow the US in freeing their phone markets in the mid-1980s. In the past year, West Germany, which used to be considered one of the most reactionary forces in global telecommunications, has embarked on a substantial reform of the Bundespost monopoly, although this falls short of privatising the Bundespost and does not allow competitors in voice telephony.

And even France is considering reforms which will put France Télécom onto a more commercial footing and allow competitors in certain limited areas such as value-added services and data-communications.

As part of its campaign for a single European market, the European Commission has successfully pressed for a limited demonopolisation of the telecommunications industry. The terminal equipment market has already been freed and the data communications market is being liberalised in stages over the next few years. A policy paper on satellite communications is being prepared and should be unveiled sometime during the summer.

And the UK will embark on a review of telecommunication policy in November which is expected to lead to a second dose of liberalisation.

The New Zealand Government has also embarked on radical plans to demonopolise its telecommunications industry, involving the privatisation of New Zealand Telecom.

Meanwhile, the third world debt crisis has forced several Latin American governments to relinquish control over their telecommunications sectors. One of Chile's telephone operators has already been privatised and the governments of Mexico and Argentina are planning to sell stakes in their telephone monopolies to foreigners.

The revolutions in eastern Europe have thrown up another constituency in favour of applying free market ideas to telecommunications. Under the old communist regimes, the telecommunications infrastructures were severely neglected, partly through a failure to appreciate the value of communications and partly through a perception that a free flow of information could undermine their totalitarian rule.

The new governments in Poland and Hungary are planning sweeping reforms of their telecommunications sectors. This is because they feel they will be able to drag the state of their telephone system up to a more normal European level faster if they employ private enterprise than if they rely on their telephone monopolies.

The Soviet Union is also gearing itself up to modernise its telecommunications networks. If glasnost and perestroika, the Soviet Union's political and economic reforms, are to amount to much, they will have to be backed up with a better communications infrastructure. However, so far, the Soviet government has not bitten the bullet of demonopolisation in the telecommunications sector.

The deregulation of phone markets has already lead to a partial globalisation of the industry. Network operators in countries where the markets have already been deregulated, principally AT&T and the Baby Bells in the US, British Telecom and Spain's Telefonica, have started to spread their wings and expand overseas.

This diversification has been prompted partly by a feeling that their opportunities for growth at home were limited by a desire on the part of regulators to reduce their market shares. It has also been prompted by a perception that international markets were full of opportunities.

The initial experience of this globalisation was rather disappointing. AT&T's deals with Philips of the Netherlands and Olivetti of Italy have been gradually unwound as the US company realised that they were not delivering industrial synergies. Similarly, BT is looking for a purchaser of its stake in Mitel, the Canadian equipment manufacturer which it bought in the mid-1980s.

Although these initial forays were unsuccessful there is now evidence of a more discriminating approach by the phone companies. Their current focus is on building global data communications networks and acquiring mobile communications franchises.

Both these areas are ones in which network operators can be expected to have some relevant experience. Even in those countries which have not embarked on radical demonopolisation plans, it is becoming common to liberalise the markets for data and mobile communications which are its fastest growing sectors.

The proliferation of new telecommunications services is continuing apace, particularly in those countries which have liberalised their markets. The dramatic growth of cellular communications in Scandinavia, the UK and the US and now elsewhere in the world, is the most prominent example of this.

An important new initiative was taken in mobile communications last year by the UK government when it licensed three new operators to provide a service called Personal Communications Networks, effectively a high-frequency mass market version of cellular communications.

Value-added services such as electronic mail, electronic data interchange and the remote access to data banks are growing rapidly. And in the US and the UK, corporations are increasingly turning to private networks to satisfy their specialist communications needs.

The US has seen phenomenal growth of freephone services. Almost every advertisement in a newspaper or on television carries with it a 1-800 freephone number. As well as generating billions of dollars of revenue for the phone companies, freephone services have changed the structure of retailing and marketing in the US. It is no longer necessary for an organisation to have large physical branch networks across the country.

The development of intelligent networks is likely to see the launch of a whole new raft of sophisticated network features over the next five years. The US is the most advanced in the implementation of the "intelligent network" concept.

Apart from advanced freephone services, the most important intelligent network features are virtual private networks – which will give corporate customers the feeling that they have their own private network even though they are using the public infrastructure – and a series of sophisticated call diversion facilities.

Although much of the world is now benefitting from demonopolisation in telecommunications markets, the one area which has stubbornly remained entangled by cartel practices is international telephony.

Governments and watchdogs have focused their attention on liberalising their domestic phone markets, but so far given little attention to freeing the market for providing international phone services. This is partly due to a calculation that the vast monopoly rents being earned out of international phone calls can be used to subsidise local calls.

The effect of the international phone cartel is that telephone users around the world are being overcharged more than £10bn a year on international phone calls. This, however, is only the tip of the iceberg. The real damage caused by the cartel is that it restricts the flow of information across frontiers and so hampers world trade and the globalisation of industry.

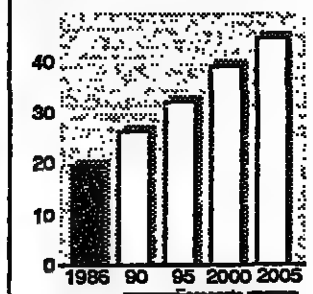
The world's telephone watchdogs are slowly taking an interest of the activities of the international phone cartel. However, to date, there has been no decisive action.

IN THIS SURVEY

MARKET SECTORS

World transmission equipment expenditure

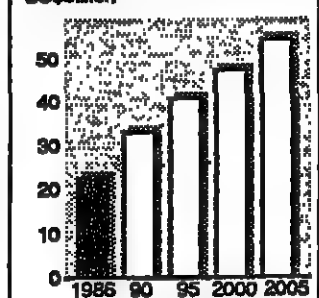
US$billion



Source: TRC

World public switching expenditure

US$billion



Source: TRC

Editorial Production: Khozem Merchant
Graphics: Bob Hutchison

FORTHCOMING SURVEYS

International Satellite Broadcasting: May 18
Computer Security: June
Networks: June
Personal Computers: Sept
International Mobile Communications: October

"IF YOU like being number two, you'll love America's Telecommunications policy." declares a recent advertisement by the US's seven Bell regional telephone companies.

The Bells, spun off from American Telephone and Telegraph (AT&T) six years ago, have united to fight for greater freedom for themselves and more coherence in US telecommunications policy. Advertisements and lobbying Congress are just two activities in their "Free-the-Bells" movement, for which they have set aside a total of $21m.

The Bells are playing on the fear that US telecommunications are fast declining into a second-class industry because chaotic and fragmented regulation and arbitrary curbs are discouraging investment. Support for the thesis is widespread. Mr Alfred Sikes, chairman of the Federal Communications Commission (FCC), the regulatory agency, told Congress last month that the consequence of present regulations might harm global competitiveness. One crucial step, he argued, was to allow the Bells to offer more services.

The Bells are chafling at the legal document which laid out the breakup of AT&T. As an anti-trust matter, it is overseen by the Federal courts in the person of Judge Harold Greene in Washington. His narrow interpretation is keeping the Bells out of areas such as information services, equipment manufacture and long-distance communications.

The upswell of interest on Capitol Hill has been marked, and Congress is trying to wrest power back from the court. Some 10 bills are pending before the House and about seven before the Senate which would address various telecommunications issues and in most cases restore some powers to Congress and the FCC.

In addition to controls by the Federal Court and the FCC, telecommunications companies must also deal in most parts of the country with state regulatory commissions. Fortunately, some of the latter have been innovative with, for example, more than 20 introducing price caps or some other form of incentive regulation of phone companies.

But with regulation differing from state to state, 73 telecommunications companies face a hotch-potch of controls. Mr Sikes has called for a regulatory summit at the FCC to try to simplify the system.

One of the Bells' best hopes in Congress for regulatory relief is a draft bill before the House telecommunications and finance subcommittee chaired by Representative Edward Markey. It would allow the Bells to design and develop equipment without restrictions, although they would have to seek manufacturing permission from the FCC on a case-by-case basis.

They would also get the go-ahead to offer limited information services, in essence an electronic Yellow Pages. They would remain barred from long-distance services.

Opposition is widespread, particularly on information services with independent suppliers fearing telephone companies will abuse their monopoly of local phone service.

Legislative action would work wonders, believe Mr James McCabe and Ms Joanne Smith, analysts at the Nomura Research Institute in New York. "US telecom services companies will accelerate the introduction of new technologies into their networks as soon as restraints are removed and they can participate meaningfully in the full range of information services," they wrote earlier this year.

The current paucity of investment is marked. US companies put an average of only $150 per local line per year into their networks, compared with some $230 in Canada, Western Europe and Singapore and up to $300 in Japan, according to calculations by Mr William Davidson of the University of Southern California.

Certainly the US companies are building on a stronger base than the others, but many analysts argue the US is already beginning to fall behind.

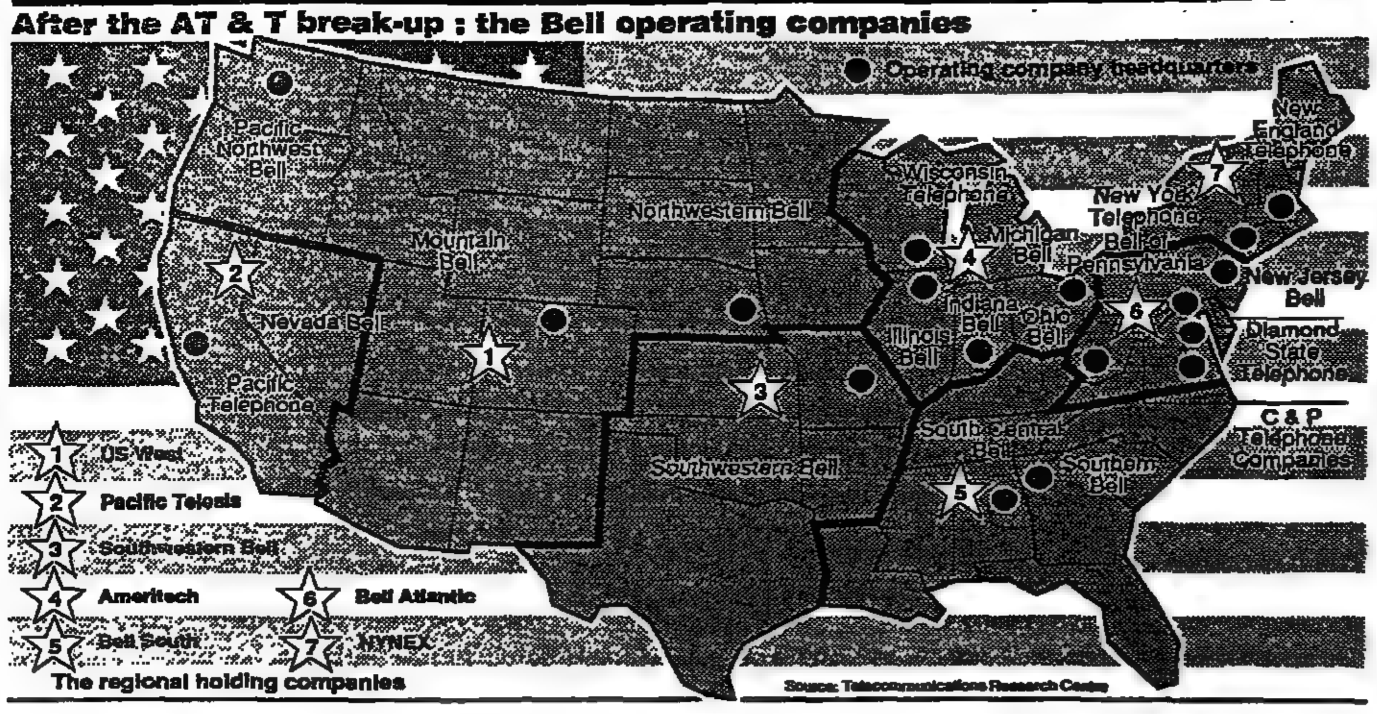
The Bells argue that one of the most crucial issues is the provision of fibre optic services to homes. Until they can offer such high capacity transmission, the public will be unable to get more complex services such as pay-for-view films.

To help justify the huge investment in fibre optics, the Bells say they need to do more than just collect a toll from those using the network. They themselves must be allowed to sell data services and cable television programmes.

The cable TV industry says the fibre optic issue is a red herring. Even if the Bells did muscle in on their territory they would still not earn enough to pay for fibre. Anyway, the cable companies say they are quite capable of offering such equipment and services themselves.

It is widely agreed the US would best be served by more competition in telecommunications, especially in areas such as long distance and cellular services. The FCC is seeking ways to encourage newcomers, particularly those with new technologies and ideas. Industry analysts say, however, that the overriding need is for greater co-operation and vision among the diverse controlling bodies in the US. They fear those attributes may be hard to come by in a country raised in a tradition of diffused political power.

After the AT & T break-up : the Bell operating companies



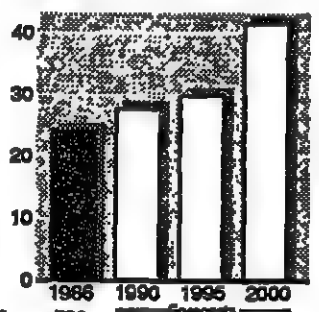
Source: Telecommunications Research Centre

Roderick Oram watches telephone companies square up to court

The Bells enter the ring fighting

Telecommunications equipment expenditure

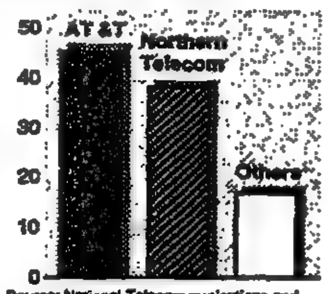
US$billion



Source: TRC

Shares of US public switching market

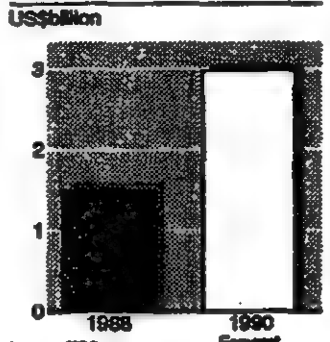
Percentage share (1986)



Source: National Telecommunications and Information Administration (NTIA)

Cellular equipment market growth

US$billion



Source: TRC

Bernard Simon on Canada's combatants

Calm before the storm

THE OPENING shot in a far-reaching Canadian communications battle is due to be fired within the next few weeks when Toronto-based CNCP Telecommunications files an application with a regulatory agency in Ottawa to break Canada's long-distance telephone monopoly.

The ferocity of the struggle ahead is vividly captured in the Churchillian rhetoric used recently by Mr Ted Rogers, chairman of Rogers Communications, the Toronto cable-TV carrier which owns 40 per cent of CNCP. "We shall not flag or fail. We shall fight to the end, and repeat it if necessary," Mr Rogers told a business group in Montreal.

CNCP's quest, while specifically aimed at gaining a slice of the fast-growing long-distance telephone market, has wide implications for Canada's communications industry as a whole. Most important, the fate of its application will influence the use of the country's growing fibre-optics network, and the extent of future integration between telephone, data transmission and cable television services.

Public, long-distance service is the preserve of Telecom Canada, a consortium of nine leading provincial utilities, as well as Telesat Canada, the national satellite communications agency. By far the most important player in Telecom Canada is Bell Canada, a subsidiary of Montreal-based conglomerate BCE Inc, which also controls equipment-maker Northern Telecom and a cellular telephone network.

Bell has a monopoly of local service in Ontario and Quebec and owns a substantial stake in four utilities in other parts of the country.

Since the Canadian Radio-Television and Telecommunications Commission (CRTC) turned down CNCP's first application four years ago to provide a competitive long-distance voice service, Bell has put much of its energies into preparing for the likelihood that the next bid to break the long-distance monopoly would be successful.

In particular, it has tried to redress some of the imbalance of lucrative long-distance business subsidising local service. On the one hand, Bell has raised the monthly fee for local service by 10 per cent since 1983. (The service fee is still a modest C$15 a month in Toronto, with instruments for rent at a minimum of C$2.50 a month.) It has generated extra revenue by promoting several "enhancements" (such as a beep to signal a waiting call while one is on the telephone).

At the same time, Bell has sharpened its competitive edge by significantly bringing down long-distance rates. It announced another 15 per cent cut in cross-Canada charges in March, bringing the reduction in this type of call to 51 per cent since 1987. None the less, Bell estimates that its long-distance revenues still subsidise local service to the tune of about C$2bn a year.

Assuming the CRTC eventually approves CNCP's forthcoming application, Mr Erick Willis, a Toronto consultant on regulated industries, predicts that it will be three or four years before CNCP starts long-distance service. He notes that parliament must still pass contentious legislation affecting three provinces (Alberta, Manitoba and Saskatchewan) over which the CRTC has no jurisdiction.

CNCP's progress has become especially interesting since Rogers bought its 40 per cent stake last year from Canadian National, the state-owned railway company. The remaining 60 per cent is still held by Canadian Pacific, the Montreal transport, energy and industrial group.

Rogers is unashamedly foregoing profits and dividends to fund investments in its cable-TV and national cellular telephone network, already the largest in the country. It plans to spend C$300m on its cellular business and C$250m on cable in the current fiscal year. Rogers has 1.6m cable-TV subscribers while its cellular telephone subsidiary Rogers Cantel has signed up more than 200,000 subscribers, adding 6,000 new ones each month.

From their bases in cable TV and telephones respectively, Rogers and Bell are racing to dominate Canada's fast-growing fibre optic network. Rogers is building trunk fibre-optic ring networks in its two main cable-TV markets, Toronto and Vancouver. Bell has connected all its 600 switching centres with fibre and has the advantage of Telecom Canada's all-fibre cross-country network. CNCP's long-distance system is partly fibre and partly digitised microwave.

A single fibre channel carrying telephone and cable-TV signals into homes is still some way off. But fibre is creeping closer to individual households. For instance, Bell has already used fibre optics to link several Hydro-Quebec and Quebec government office buildings to its central switches and to each other.

Wiring every home and business in Canada with fibre optics would cost an estimated C$8bn. Bell, which has installed 180,000km of fibre cable since 1985, will spend C$830m on fibre-optics over the next five years, but would prefer some form of co-operation with the cable-TV industry.

The cable industry worries that relying on someone else's cable – especially if that someone is as powerful as Bell Canada – would leave it vulnerable to an ever-greater share of profits going to the carrier rather than the broadcaster. Mr Barry Gage, president of Maclean Hunter Cable TV, a large Toronto-based company, asserts that "you have to own your facilities or you don't have control over what changes you can make or what services you can put on that cable."

Mr Gage points out that North American telephone subscribers these days make less use of the cable coming into their homes than TV watchers do. "If Bell needs this little bit of spectrum, why should they not rent it from us?" he asks.

With such considerations in mind, Rogers is pressing ahead with the installation of its fibre-optic network. If and when fibre optics penetrates the home, Rogers will thus have the freedom to expand not only into high-definition television, but also local telephone service. Mr Rogers has warned shareholders not to expect any dividends before 1992 as it presses ahead with its heavy investments.

Bell is girding for a face-to-face confrontation with Rogers as the latter expands its telephone interests. "Once they have the right to get into our business, we'll want to get into theirs to undermine their base," Mr Monty says. "It is to be hoped we will be able to undermine theirs more than they undermine ours."

The EC's new programme for reform is already looking doubtful

A definite Article of dissent

AS THE 1980s came to a close, a new liberal era in European telecommunications seemed about to begin. In the last month of 1989 ministers agreed two important directives: the first was to open up the market in telecoms services, and the second to agree technical rules for free access to networks.

With the passage of those two directives, the bulk of the measures laid out by the Commission in its 1987 White Paper on the liberalising of the telecommunications market have been adopted, leaving a handful of more detailed ones to be approved. The focus for change would then move to satellite.

However, just a few months later the programme for reform is looking more doubtful.

The compromise reached in December was seen as a considerable achievement as it bridges a gap between the opposed attitudes of member states. On one side are France, Belgium, Italy and Greece, all of whom are reticent when it comes to free competition in telecoms. On the other are West Germany, the UK and Holland, which have already liberalised their own markets to varying degrees, and are anxious to see liberal measures introduced in Europe.

The services directive was only agreed under the threat that if member states did not accept it, the Commission would force it through anyway, using Article 90 of the Treaty of Rome. That article allows the commission to intervene directly to prevent monopolies from acting against the Community interest.

The Commission's powers to take such a radical step using this obscure article are questionable, and are being challenged in the European Court of Justice. France and several other member states took the Commission to court last year for its use of Article 90 in passing a similar directive on telecoms equipment.

An initial opinion delivered by one of the Advocates General in February was sympathetic to the member states' objection, and if the court decides the Commission has acted illegally, the latest package of measures could begin to look fragile.

On telecoms equipment the effect of removing the legal basis for the directive might not have much impact, as the measures are already in place, but on services it could be a severe blow. If it goes through as planned, the services directive will introduce competition into all areas except simple voice telephony, starting this summer.

Even though voice accounts for about 90 per cent of telephone companies' business, it is the remaining areas that are the most profitable, and which are growing most quickly. It is seen as one of the most important parts of the entire Single Market plan: telecommunications now account for 3 per cent of Europe's GNP, but is growing so fast that it is expected to reach 7 per cent by 2000. The telephone network itself will not be touched; it will remain up to individual countries to decide how much competition – if any – they want.

The directive will mean that private companies will be able to offer value-added services in competition with monopolies in the EC. These include services like electronic mail, teleshopping and videotext. The market will be opened up in stages, with PTT monopolies given until the end of 1992 before being forced to give up their control over all basic data communications.

PTTs will also have to publish all the technical details needed to give other companies access to their networks, and will also see their powers as regulators stripped from them.

The second directive, the Open Network Provision, is aimed at harmonising rather than liberalising the market, and to some extent plays into the hands of the big monopolies. Indeed the directive has proved contentious between member states, and has been championed by the less liberal countries as a way of keeping competition out. As the directive is only a framework directive – which means it lays down the general principles but does not apply them to specific cases – there will be plenty of arguing between member states as the individual directives come forward for approval later this year.

The first should be the least controversial. It involves setting standards of access to leased lines – something most favour. When it comes to agreeing rules on packet switching and on value added services, all the old disagreements are likely to resurface. The UK will argue that there is no need to impose firm standards – to do so would force up costs for small competitors.

Beyond the ONP and services directives, the only measure on the table is on the testing of telecoms terminals. Although this seems a largely technical measure, it is important in preventing countries putting barriers in the way of equipment made in other member states. The new directive says that if standard equipment has been tested in one member state, its manufacturers can sell it wherever they like in the Community without submitting it to further tests.

By eliminating the red tape, it is hoped that consumers will shortly have more choice and that the market gradually will become more competitive.

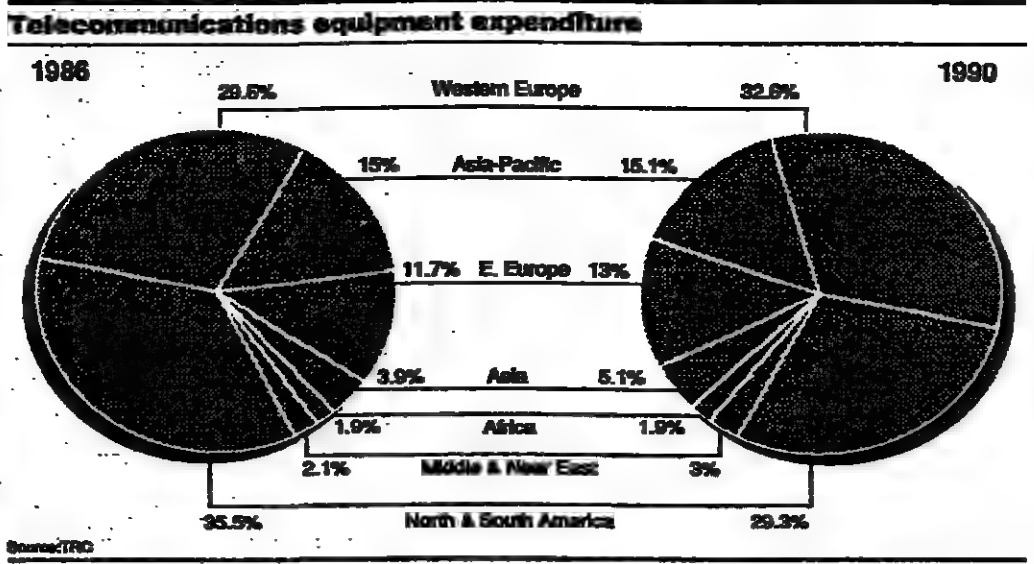
Overall, the aim is to wipe out the inefficiencies that come form running 12 distinct telecommunications markets, and to make Europe more competitive against the US and Japan.

Perhaps the most important EC measures recently adopted bypassed the telecoms ministers altogether, and came as part of a general package for opening up the market in public procurement.

Starting from 1992, telecoms will be included in the Commission's strict new procurement rules for the first time, so that when, for example, the Munich town council wants to install a new telephone system, its order will not automatically become business for Seimens and the Bundespost – companies in the other 11 countries should get a look in too.

Lucy Kellaway

Telecommunications equipment expenditure



Source: TRC

UNITED KINGDOM

All eyes on the duopoly review

In November this year the UK Government will set in motion a train of events which could result in the restructuring of the UK's telephone industry. Alternatively, the event could prove a lot of sound and fury, signifying very little at all.

The event in question is the Government's review of telecommunications policy in the UK, or the "duopoly review", as it has become known. The Department of Trade and Industry (DTI) will ask interested parties to comment on a set of proposals, though the breadth and form of those proposals is as yet unknown.

The eagerness of many companies to grab a larger slice of the action in the UK phone market means that in practice, the review process has already begun. Lobbying groups from every section of the telecommunications industry are beating a path to the door of the DTI to make sure their voice is heard in the debate.

Wishful thinking combined with vested interest is ensuring that the range of options put forward is enormous. However, the industry as whole seems to have reached consensus on two points, at least.

The first is that political expediency will prevent any wholesale re-organisation that would necessitate a new telecommunications act. With the proposals not published until November it could be mid 1991 before any final decisions are made – dangerously near to the next election for any government to try and push through legislation which is not an obvious vote-winner.

The second is that the Government will try and introduce more competition into the local telephone network to domestic subscribers. That is an area where Mercury Communications, the company licensed to compete with British Telecom (BT) on a national basis, has made little impact, as even Mr Gordon Owen, chairman of Mercury, admits.

"Joe Public does not think there has been competition in telecommunications," Mr Owen remarks. "But in the City (of London) they do."

Many companies are unsure how far the Government can go without new legislation. Can it licence a third – or fourth – telephone company to compete with British Telecom, for example?

Mr Michael Davis believes it can. He is executive chairman of a newly-formed company called National Network, which has been set up to sell spare capacity on the Post Office's private communications network. His is the first company in the UK to introduce such a service – known in the US as "resale". And, Mr Davis says his company "would like to be considered for PTO status".

Many believe more likely will be a nibbling away at the edges of today's regulatory framework to ensure that the domestic subscriber gets a choice of services. Some argue that the mobile telephone companies – providing cellular radio, telepoint and, in future, personal communications networks – will provide that competition once they become established.

Others are looking to cable television operators and are particularly keen to see the abolition of the rule which says cable television companies can only offer telephone services in conjunction with either BT or Mercury. BT, on the other hand, is keen to be allowed to offer cable television services in its own right.

"I think it is almost inevitable that the duopoly review will result in BT and Mercury being allowed to carry television, and for the cable TV companies to carry voice," predicts Mr Ian Mackintosh, chairman and managing director of Mackintosh Generics.

As an advocate of wiring up the country with broadband cable in order to provide a myriad of services through one cable, he says that the review could be the time to ensure that the framework for this is put into place. "It is economically and technically feasible. The question is whether it is politically feasible."

Another option is to insist on "equal access", a service already enjoyed by phone users in Hull, in northern England. There, customers who want to make long distance calls must specify whether they want the call to travel on BT or Mercury lines, on a call by call basis, or by specifying their chosen company in advance.

Equal access is an option which would heavily favour Mercury because it would give all BT's local subscribers the choice of discarding BT once they reached the local digital telephone exchange.

Wilder speculation points to the carving up of BT along the lines of the electricity industry privatisation, with one trunk and international call supplier and several smaller local operators. But as the Government only owns 49 per cent of the company that could only be done with BT's approval.

And Mr David Gillick, manager of policy and regulatory affairs at the PA Consulting Group, throws more water on the the idea by pointing to the problems involved in a subsequent share distribution. What interests him, is whether the Government will use the review to announce the sale of its remaining 49 per cent stake in BT.

Della Bradshaw

David Goodhart on the reform of the Bundespost

New W German regime in need of a kick-start

MR CHRISTIAN Schwarz-Schilling, the West German Post Minister, believes the rest of the world has still not fully grasped how radically West Germany's telecommunications system has been deregulated.

The Bundespost, once famed for its bureaucratic inertia, now claims that in several fields it has the most liberal regime in the world.

The trouble is that the private sector in telecommunications has also been slow to grasp the change and even Mr Schwarz-Schilling complained, in an interview with the Financial Times, that the new regime ushered in by last year's Bundespost reform "has had a rather slow start."

That reform broke up the Bundespost administration into three separate corporations, supposedly to be run along business lines: Telekom, the telecommunications service; Postdienst, the postal service; and Postbank. Telekom has not been privatised and competition has not been allowed on the basic voice service. But data communications and satellite transmission have been completely liberalised.

Private sector competition has been introduced into mobile telephones. And on July 1 this year the Bundespost's last monopoly of the supply of customer equipment – the first telephone – is ending.

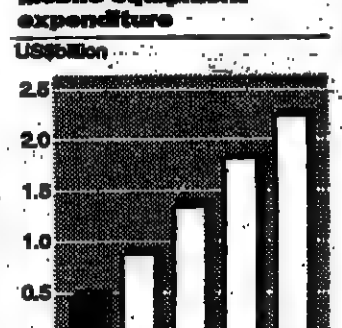
Data services and satellites are the liberal stars. Anybody can set up a data link: no licensing is required; only registration. That has prompted the UK-based Telecommunications Research Centre to conclude that West Germany, the fourth-largest telecommunications market in the world, has probably the world's most liberal regime for "value added services."

Mr Schwarz-Schilling says he had a few nervous moments at the end of last year when he feared his de-regulatory zeal might be pulled back by the European Commission which, at French prompting, was requiring a tougher licensing arrangement than laid out in the Bundespost reform.

He is also currently engaged in a race to push through as quickly as possible "the most liberal satellite law in the world" before the EC can interfere.

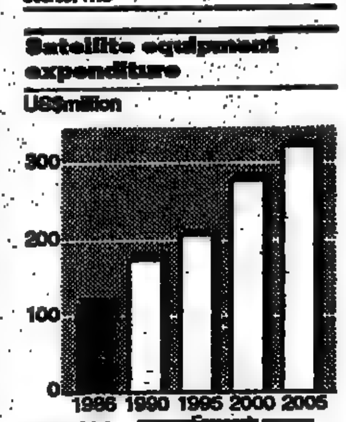
Some Telekom executives are fearful of the proposed satellite freedom because of the potential loss of revenue. But, significantly, in this field as in others, the Post Ministry is ruling against the interests of its main money-spinner and not, as feared, protecting it. With an operating profit for Telekom of DM7.9bn last year, the Ministry can perhaps afford to be generous, although it still needs a lot of that cash to pay off the losses of the letter and parcel service – due to break even by 1995.

Mobile equipment expenditure



Source: TRC

Satellite equipment expenditure



Source: TRC

Another area where Telekom will lose out is in leased lines which have been exceptionally expensive by international standards and more than double the price of leased lines in the UK. Meganet, the Cologne-based group owned by three large insurance companies, has started leasing lines in bulk from the Bundespost and selling capacity on them at a 25 per cent discount to Telekom's prices.

A non-regulated voice transmission is allowed on the leased lines, provided no public switching is involve; it is surprising that more companies have not been exploiting the new opportunities.

That may be because various uncertainties remain. For example last year Telekom was forced to drop the volume charge on leased lines but retained a surcharge on international connections. The EC has ruled against this surcharge but users complain that it is still being levied. Users also complain that Telekom is not yet charging cost-oriented tariffs for leased lines used by mobile phones.

Similar uncertainty surrounds data transmission. Mr Schwarz-Schilling says that when data transmission uses the public network, voice can only be used when it is not the "main function." That has left doubts about the legality of such things as TV conferences.

However, radicals inside Telekom point out that the old ordinance which prevents voice traffic accompanying data transmission is only valid until July of next year and, what is more, can be removed before then on request. Nobody, it seems, has yet requested it, and corporate customers who have asked to put voice on private data lines are being told by Telekom officials at local level that it is not allowed.

Several companies – such as VASCOM, BAFG and INFO AG, mainly subsidiaries of large groups like Siemens, Tymnet and Telenet – have started exploiting the possibilities in data transmission by setting up internal networks for large companies or providing general services like electronic mail.

However, according to one insider: "The market is not yet blooming as it should because the industry is still thinking in the old categories. The Government had done its job but the industry is a little bit slow to pick up on it."

Telekom itself, under the seemingly competent leadership of Mr Helmut Ricke, is divided about the new regime. Conservatives fear revenue loss from the big holes now blown in the monopoly, and sharp downward pressure on the price of leased lines and other services used by business. Radicals argue that Telekom will more than make up from monoply revenue loss through the more intense usage of the public network that liberalisation will bring.

Telekom is also itself competing in value added services and Mr Ricke has said his aim is to double Telekom's income from such services – currently DM3.2bn – in the next five years. It is also just beginning to operate internationally.

The radicals are supported by researchers at the Telecommunications Research Centre who conclude their report on Telekom thus: "Within five years it could be earning as much as 20 per cent of its annual turnover from overseas activities, and TRC's analysts believe that its increased activities in value-added services within West Germany will boost domestic revenues by at least 15 per cent a year from 1992."

Users, however, continue to complain that the more customer-oriented approach promised by Telekom to ordinary customers – business or domestic – is scarcely evident yet. And there is some scepticism about claims that the telecommunications infrastructure will soon be changing from a disincentive to do business in Germany to an incentive.

It may be unfortunate that Mr Ricke and his senior managers have now been distracted by the modernisation of the East German network – a second mammoth task. Though Mr Schwarz-Schilling points out that if the East German revolution had come one year earlier "then I would have had serious problems getting the reform through."

As political controls on France Télécom are eased, **William Dawkins** reports on how the company plans to stay ahead of its rivals

Success story of a defender of the public service ethic

FRANCE has earned a reputation among its northern liberal European Community partners as being all too eager to put a brake on the wave of deregulation sweeping the telecommunications industry.

The government may have political reasons for allowing such an image to exist – yet the way it runs its telecommunications industry at home is very different.

Certainly, France feels more strongly than most about the importance of defending the public service ethic of its telecommunications authority and so keeping competition from the private sector under careful control.

But it also happens to run, in the shape of France Télécom, one of the most technologically advanced and commercially successful telecommunications services in Europe.

France Télécom, one of the country's biggest industrial employers with sales of Ffr94.5bn last year and 155,000 staff, is now being offered more independence from the political controls under which it and its predecessors have existed ever since 1837, when Louis Philippe was attempting to regulate the early telegraphic service.

The plan, which coincides with new rules laying out for the first time just where France Télécom will face competition, aims to balance reform with the preservation of the organisation's public service role. It is one of the biggest legislative tasks to have been tackled by this Socialist government in its first two years.

The government is partly acting under the pressure of European deregulation, but it is also being egged on by France Télécom itself which, as its top people become more entrepreneurial in outlook, is getting increasingly unhappy at having the status of a civil service department.

In the past two decades, France has moved from having one of Europe's worst telecommunications services to one of its best: with business and domestic phone charges among the world's lowest, the world's largest data switching network and the greatest availability of digital transmission.

An outstanding example of these technological achievements is Minitel, the world's largest videotext service, with more than 5m free terminals in French homes and offices. It gives access to several thousand services from erotic messages – said to be on the decrease – to home banking, share prices, tele-shopping and travel bookings.

France: Network digitalisation ratio

	1988	1990	1995
Per cent digital local exchanges	63	73	92
Per cent ISDN local exchanges	55	68	100
Per cent transit exchanges	68	79	100
Per cent local transmission	93	95	100
Per cent trunk transmission	69	79	99

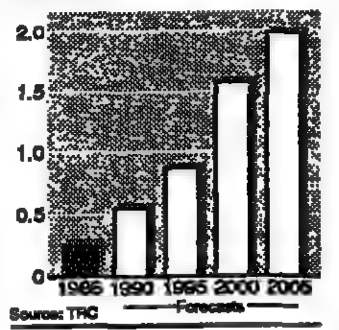
TRC

Of course, France Télécom has missed the odd trick here and there. It is way behind the game on mobile phones, where the density of mobiles in use in France is a mere fifth of that in Britain and one twentieth of Scandinavia. This is perhaps a result of having concentrated too much in recent times on Minitel and on installing fibre optic cables.

Even so, argues the government, the broad success of France's telecommunications service comes thanks to an environment which allows the public authorities to provide modern services to all at the same price across the nation

Mobile equipment expenditure

US$billion



Source: TRC

This is reflected in the diplomatic efforts exerted by Paris in winning its EC partners' agreement on the EC directive on telecommunications services, in the hectic final weeks of France's presidency of the EC last December.

The directive introduces free competition for the provision of basic and value added services.

This is, however, subject to strict conditions, modelled on a compromise put forward by Paris, to allow telecommunications authorities to stop private competitors from undercutting public providers too much on the busiest and most profitable services.

The French internal reform, drawn up over the past year by Mr Paul Quilès, the Telecommunications Minister, would split France Télécom and the Post Office – now both part of his department – into separate organisations, and give them operating autonomy.

At the time of writing, Mr Quilès was going through its final consultations before presenting it to France's Council of Ministers for adoption as official policy to be put down at the spring session of Parliament.

France Télécom would be turned into a state-owned public service company like the rail board, the SNCF. However, the telecommunications regulatory authority will stay where it is, in the Ministry, in contrast to the independent status granted to Oftel, its British equivalent.

While nothing in the EC directive directly obliges Paris to give France Télécom this independence, the government does accept that it needs more freedom to allow it to hold its own against the fiercer international competition likely to be unleashed by those European reforms.

In line with the EC rules, France Télécom would keep its monopoly on the basic network and phone services, but continue to allow competition for the supply of terminal equipment and for value added services like home banking, subject to strict licensing conditions.

France Télécom, welcomes the Community proposals, for practical as well as political reasons.

It objects strongly to its budget being available to subsidise other government spending programmes. This is a real handicap at a time when it needs to invest heavily to catch up in mobile phones, where it plans to bring in a Telepoint-style pocket phone service nationwide by the mid-1990s, and to introduce other new facilities such as integrated services digital networks.

"Above all, we need fiscal stability. Under present conditions, our finances are decided for political reasons, which means we cannot make contracts on a commercial basis," says Mr Marcel Roulet, France Telecom's director general.

"I am not asking for total freedom. I accept that the government should be allowed to set three basic parameters; our quality of service, our maximum level of borrowing and our prices – but that is all," says Mr Roulet.

Suppliers' and customers' organisations equally welcome the prospect of change, on the grounds that France Télécom should be easier to do business with as a public company than as part of the powerful PTT Ministry.

At present, says Mr Jean-Claude Lavenir, head of SI3T, the telecommunications equipment makers' association, the government is "judge and jury in its own case."

However, the reform could make life harder for French suppliers if it makes it easier for France Télécom to pursue a less nationalistic purchasing policy, something it is already being obliged to do by the pace of technological change. To keep its networks up to scratch, France Télécom is obliged to look abroad for suppliers more than in the past, since the domestic industry cannot be expected to supply all of its increasingly complex needs.

Giants like Alcatel, the dominant supplier, can compete, partly thanks to the government's supportive industrial policy of the past decade, but also helped by its merger with the telecommunications activities of ITT of the US, creating Europe's largest telecommunications equipment group.

Smaller producers like SAT, 15 per cent owned by Matra, may be vulnerable without alliances with larger foreign groups, fear observers.

As elsewhere in the French public sector, the unions representing the 450,000 staff of both organisations, are the big uncertainty. They are less of a threat this time than three years ago, when Mr Gérad Longuet, Mr Quilès' predecessor in the previous right-wing government, tried to shake up the sector.

He tentatively floated the idea of privatising France Télécom, like its British neighbour, but the intensity of union opposition forced him to scrap the scheme.

The unions are divided on Mr Quilès plan. The moderate white collar FO and CFDT accept that change must come, so long as their members continue to get civil service type job security from their more independent employers.

On the face of it, Mr Quilès plan satisfies the union demands.

The communist-led CGT, the union which last autumn organised Peugeot's worst ever strike, thinks this is a sneak privatisation plot, a suggestion strongly denied by Mr Quilès' advisers.

The aim of the scheme, they argue, is simply to give a relatively efficient public monopoly a little more freedom, just so that it can stay ahead of a game that is getting both faster and more international in nature.

The CGT is not entirely convinced, but then it is less influential among the workforce – barring Peugeot – than it was in Mr Longuet's day.

David Goodhart on the task of overhauling East Germany's antiquated network

Time and money needed to re-wire

IN SPITE of a relatively sophisticated technological infrastructure, by East European standards, East Germany's telecommunications system is nothing to boast about. In privileged East Berlin a respectable 43 per cent of inhabitants have telephones but in the country as a whole it is only 10 per cent (1.6m telephones for 16m people).

In the country as a whole, only 10 per cent of the population has a telephone

That is above the east European average (although below Bulgaria) but East Germany (GDR) is now, naturally enough, being compared with West Germany (45 lines per inhabitant) rather than the rest of eastern Europe.

The GDR has invested about 650m Marks per year in telecommunications over the last five years but the number of lines has only been increasing at the rate of 10,000 per year and an estimated 1.2m households are waiting for a connection.

Such poor progress is partly attributable to politics. The old regime did not want its people to be able to talk to each other or the outside world too easily, and a large chunk of resources was monopolised by the secret police. But it is also straightforward technological backwardness – apart from one small experimental switching centre GDR industry has not been able to produce digital switches and the Cocom list has prevented import.

About 70 per cent of all public switching equipment is 25 to 60 years old and 23 per cent stems from the period 1922 to 1934. Only about one third of the public network is of high enough quality to be used for data transmission and most of that is in East Berlin. The central switching trunk is not the problem so much as the local link to the home or factory.

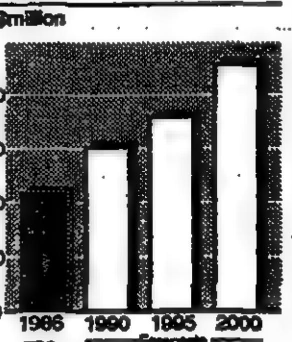
The backwardness of GDR telecommunications is, according to Mr Christian Schwarz-Schilling, the West German Post Minister, the single most important "bottle-neck" in the way of swift modernisation of the economy by West German business.

Connections between East and West Germany are – for past political reasons – even worse than the average international connection. Before the GDR revolution there were only 395 lines between the GDR and West Germany and 630 the other way round. And there were no direct links, so that a call made from Erfurt (in the GDR but near the inner-German border) to Kassel (just the other side) would have to go back to East Berlin and onto the international net.

It is estimated that it will take five to seven years and cost DM20bn to DM30bn to raise the GDR to West German levels. This cannot be short-circuited by leaping straight to mobile communications, as some have suggested. The country needs re-wiring and that takes time.

Telecommunications equipment expenditure

US$million



Source: TRC

The burning issue is how to provide transitional arrangements – especially for business – to prevent the telecommunications bottle-neck from slowing modernisation. As part of these transitional arrangements mobile phones, microwave connections and satellite will all play a role.

What has already been announced by Bonn and East Berlin falls well short of providing adequate transitional arrangements but is a start. Bonn announced in February an immediate grant of DM250m most of which will be spent on importing 18 container-sized switching centres of 2,000 lines each. The new orders have been won by Siemens and SEL.

For the year as a whole an increase of only 100,000 lines is expected – "a drop in the ocean" according to Mr Heinz Uhlig, the GDR's deputy-Post-Minister, who has also announced that the former secret police lines can be taken over.

The GDR-West Germany connections can also only be slowly improved; by the end of this year there should be 892 lines from the GDR to West Germany and 1,400 the other way round. An extension of the glass fibre link connecting West Germany to West Berlin is now being worked on.

For West German businessmen who want to speak to each other within the GDR or who want to talk to West Germany without having to wait several hours the best temporary solution is an extension of the current West German mobile telephone system into various areas of East Germany. This can be done relatively swiftly and cheaply through building a few receiving stations.

An increase of only 100,000 lines is expected this year – *'a drop in the ocean'*

One other intriguing possibility – currently being examined – is the connection of the internal networks used by the top 30 GDR industrial groups to the West German grid.

For decades eastern Europe was virtually isolated. **Hugo Dixon** on the changes in (clockwise) the Soviet Union, Poland and Hungary

The paranoia eases

"SINCE the revolution, communication has been the big nyet," says Mr Joel Schatz, president of Sovam Teleport which has pioneered an electronic mail service between the Soviet Union and the US.

The Soviet telecommunications system has almost been designed to prevent people from communicating with one another.

First and foremost, the Soviet Union is virtually cut off from the rest of the world. All international phone calls from this vast territory, with a population of nearly 300m, are channelled through one international exchange in Moscow which has only 1,500 lines with the outside world.

Inside there are about 20 operators fielding calls from across the Soviet Union. Not surprisingly, it is almost impossible to get through to an operator and even once you are connected to an operator, it can take several hours before you are put through to your international destination.

Last year, people in the Soviet Union made collectively only 11m international phone calls, an average of one for every 25 of the population. These calls were unevenly distributed. Only 7 per cent of the total capacity is dedicated to the general public; 93 per cent is reserved for people such as top government and party officials, embassies and foreign joint ventures who are able to make international calls without going through the international operator.

Other examples of the system militating against communication include the almost total absence of telephone directories and the paucity of switchboards, meaning it is almost impossible to discover somebody's telephone number.

This restrictive approach to communications is out of place in the current era of glasnost and perestroika. Freedom of expression is guaranteed not only by free access to printing presses but also by a properly developed telephone system; and the prospects for reforming the economic system will be undermined unless new channels of communications are opened up.

The Soviet Union's paranoia over foreigners communicating with one another and with the outside world has eased in recent years. As a result, the foreign community in the country enjoys what are comparative oases in the communications desert experienced by most locals.

Foreign broadcast organisations such as the BBC and NBC say there is now no problem in transmitting their broadcasts back home over the Soviet infrastructure. And anybody who has a ready supply of hard currency can import facsimile machines from the outside world and attach them to the Soviet network, or use one of the embryonic data communications network that has been springing up, such as Sovam Teleport.

The Soviet Union plans to increase the number of telephones from 40m today to 100m in 2005. What remains unclear is how this programme is to be accomplished.

The Soviet system has almost been designed to prevent people from communicating with one another

Decisions on how far the market should be liberalised are likely to be fought out in the coming year between the monopoly-minded Ministry of Communications and the more free-market Supreme Soviet. Mr Yuri Gulyaev, chairman of the Supreme Soviet subcommission on telecommunications, says telecommunications factories should be freed from the Ministry of Communications' control.

He also says licences to provide telecommunications services should be sold to organisations outside the ministry. Mr Erlen Pervyshian, the Communications Minister, on the other hand, argues that there is already competition between the factories in his ministry.

It is also unclear to what extent the Soviet Union plans to go it alone in its modernisation of telecommunications and to what extent it is going to rely on help from foreign companies.

Two deals with Alcatel of France and Siemens of West Germany to form joint ventures with Soviet companies to manufacture digital exchanges have yet to be finalised. One reason behind this is the Cocom restriction on the export of high technology goods to Soviet Union and other communist countries.

Similar problems face the Soviets over the construction of a trans-Siberian fibre optic cable to link Europe with the Far East. This is planned as a joint venture between the Soviet Union, US West and other western companies.

In the absence of a relaxation of Cocom's restrictions, the Soviet Union is pressing ahead with several initiatives of its own to modernise its network. One of these involves the design of digital exchanges using channels with a capacity of 32 kilobits per second compared with the normal international standard of 64 kilobits a second, the idea being this would reduce costs.

The Soviet Union also plans to launch three giant telecommunications satellites on its Energia rocket in 1993 to provide new radio programmes and telephone service for many regions which do not have one.

Exports to Soviet Union by EC countries

Source: Telecommunications Research Centre

Liberal market in the offing

POLAND is planning a radical deregulation of its telecommunications industry. The idea is that by attracting private capital it will be able to modernise its network much faster than would otherwise be possible.

Details have yet to be determined by the economic commission of the Council of Ministers. The matter will then have to go to the Sejm, Poland's parliament. However, the key elements are becoming clear.

The monopoly of the Polish Post, Telegraph and Telephone Company would be broken on all aspects of communications – local, long-distance, international, cellular and data communications.

There is also widespread acceptance that the PPTT needs to be reorganised. The merger of post and telecommunications in the 1980s has not been considered a success and plans to break the PPTT into one long-distance company and several regional ones are being drawn up.

However, plans for adding between 6m and 9m new telephone lines over the next decade to the current 3m, at a cost of $14bn, have come in for considerable criticism from other ministries for not taking account of economic realities.

The government will be unable to finance the investment itself and it is doubtful whether such large sums of money could be borrowed from international organisations.

The question of putting up the PPTT's prices to finance development is also controversial. Mr Andrzej Piesiak, a Polish senator who takes an interest in telecommunications, says any price rise should be part of a properly thought out programme otherwise there would be a danger of it being frittered away.

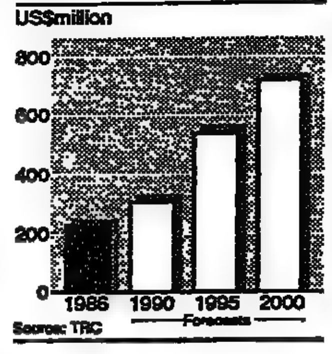
Several Polish companies are already gearing themselves up for the promised liberalised environment. RP Telecom, whose president is Mr Andrzej Radziminski, a former deputy director general of the PPTT, plans to build local networks. TESA, a rival company, plans a long-distance and international network.

The question of foreign ownership is more sensitive. The government is concerned that if foreigners are given a free rein, they will invest only in the most profitable areas such as international and cellular communications, leaving the PPTT with loss-making local networks.

Foreigners are therefore likely to be restricted to holding minority stakes in long-distance and international licences. At the same time, the government is considering how to make sure that private licencees should contribute to the development of the basic infrastructure.

One idea would be to require them to create local networks as well as long-distance and international networks. However, this is likely to be bureaucratic. A more satisfactory option would be to require them to pay a certain proportion of their revenue to a central fund which could be used to subsidise local networks.

Telecommunications equipment expenditure



Source: TRC

In addition to demonopolising the market, there are plans for the PPTT to modernise its network. A $100m World Bank loan is expected to be signed at the end of the year. This would be used principally to expand the long-distance network and the international exchange in Warsaw. The PPTT is also starting to construct a network called Polpak which will provide efficient data communications for the first time to Polish industry. Further World Bank loans are expected over the next few years.

Meanwhile, Mr Stanislaw Szuder, deputy minister of communications, is keen to see three or four foreign companies forming joint ventures with Polish manufacturing companies to manufacture digital switches.

Alcatel CIT of France already has an arrangement with Telettra to make E10 switches. Negotiations are proceeding between other Polish producers and Siemens of West Germany, Alcatel Sesa of Spain and Ericsson of Sweden. The leading Polish manufacturer is Zwut, a company over 100 years old based in Warsaw, which has been the main supplier of switches to the domestic market in recent years.

Mr Marek Glogowski, Zwut's general director, says he would like to manufacture 1m lines a year of digital equipment. Some of this would be devoted to Poland, the rest would be exported – the main export market being the Soviet Union. Zwut currently exports 50 per cent of its output, of which half is destined for the Soviet Union. A final decision on which foreign partners Zwut should go with will be made in the next few weeks.

The Spanish government has indicated that it is willing to make a loan of $40m in connection with the deal under which Alcatel Sesa would supply switches to the Polish market, according to Mr Szuder.

Focus on businesses

BETWEEN them, Hungary's 10m people have 900,000 telephone lines. The Ministry of Communications is determined to increase this number to 3m by 2000 or earlier at a cost of between $6bn and $7bn, of which about $1.5bn would be in hard currency.

With $20bn of foreign debt and a large budget deficit, the Hungarian government is not in a position to act as a sugar daddy to Hungarian Telecom, the country's phone company. How then is the investment to be financed?

Although the defeat of Hungary's communist party in elections earlier this month may lead to changes in some details of telecommunications policy, the broad thrust is clear.

Mr Gyula Partos, director of policy at the Ministry of Communications, says that half of the investment will have to come from Hungarian Telecom's own resources. The remaining 50 per cent will be split 10 per cent from the government, 10 per cent from loans, and 30 per cent from foreign equity investment.

For foreign loans, Hungary will be relying mainly on the World Bank and the European Investment Bank. The World Bank already made a $70m loan to Hungary for telecommunications in 1987. It is now working on a further $200m loan, which is expected to be finalised later this year.

Hungarian Telecom's strategy for financing its share of the investment is to focus on the business customer. Serving business needs is not only the highest priority from a macro-economic point of view. Businesses also have sufficient funds to pay for Hungarian Telecom's services.

In addition, argues Mr Ferenc Walter, Hungarian Telecom's director general, it will be necessary to increase the prices by 10 per cent in real terms over the next five years.

Such an approach, however, does not find favour with Mr Bela Doros, deputy minister of communications. He believes that Hungarian Telecom will have to generate more resources internally by becoming more efficient.

An even more contentious issue between the ministry and Hungarian Telecom is the question of how foreign equity capital should be raised.

Dr Walter argues that foreign partners should be encouraged to take equity stakes of about 30 per cent in Hungarian Telecom and has already held discussions with a wide range of foreign phone companies from western Europe and the United States, including the UK's Cable and Wireless, US West and Bell Atlantic.

However, Mr Partos at the ministry argues that a better approach may be to "privatise the market rather than privatise the company."

By this, he means that a separate organisation would be set up with the responsibility of building a modern overlay network to complement Hungarian Telecom's existing network.

The overlay network would concentrate on building modern transmission links between the main cities in Hungary and providing local services to businesses.

Mr Partos envisages the new overlay network being run as a 50-50 joint venture between Hungarian Telecom and private sector partners. These partners might be large local groups such as the railway and electricity companies which already have private phone networks, as well as foreign companies which would be expected to provide hard currency.

The advantage of such a move, says Mr Partos, is that the new venture would start with a clean slate and would not be weighed down by the culture of Hungarian Telecom which is lacking in entrepreneurism.

The government also intends to liberalise the telecommunications market. According to Mr Partos, the basic network and voice service would remain the monopoly of Hungarian Telecom or the new joint venture.

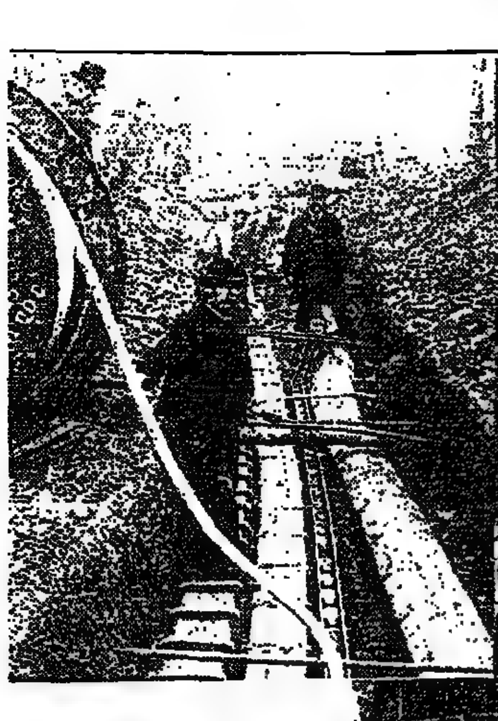
Mobile communications and basic data communications would be open to partial competition with one or two players being licensed as rivals to Hungarian Telecom. And the rest of the market – including value added services and the supply of terminal equipment – would be completely competitive.

The first foreign company to take advantage of the new liberal regime in Hungary is US West. Last year, it formed a joint venture with Hungarian Telecom to provide a cellular communications network in Hungary.

This network should be ready by the end of the year. The pent-up demand to get access to any phone service is so great that the new cellular service's first 1,000 lines have already been over-subscribed.

There are also opportunities for foreign equipment manufacturers to supply infrastructure to Hungarian Telecom as part of its modernisation programme.

The Ministry of Industry, though, is insisting that such supply should be done via joint ventures with existing Hungarian manufacturing groups. Three such joint ventures have been formed.



The old and the new

The economics of installing telecommunications cables are changing. As the price of optical fibres continues to drop, the technology is an attractive alternative to satellites for long-distance communications. The position of fibre optics has also been strengthened by the recent spate of satellite launch failures

Stefan Wagstyl looks at the battle to split NTT

The giant fights back

NIPPON Telegraph & Telephone, the Japanese telecommunications utility, has won an important battle against the Ministry of Posts and Telecommunications, which is seeking to break up the giant corporation. But it has yet to win the war.

At the end of last month the Government rejected calls from the ministry to take NTT apart in the same way that AT&T was split up in the US in the early 1980s. The ministry's advisory council, the Telecommunications Council, had recommended splitting NTT into three – a long-distance company, a local calls operator and a mobile telephones business. However, the *Government* left open the possibility that the decision might be reconsidered in the future – although not until after 1995.

The telecommunications ministry, which has always resented the independence won by NTT when it was privatised in 1987, remains committed to a break up. However, the company has a powerful ally in the Ministry of Finance, which was responsible for selling NTT *stock and is very concerned* about the impact of the threat of break up on the NTT share price.

The stock which was originally issued at Y1.6m and soared to Y3.2m has recently been *trading near Y1m*. The decline has forced the ministry to postpone further sales of NTT shares and could jeopardise plans to privatise other state-owned activities, including railway companies.

Mr Ryutaro Hashimoto, the Finance Minister, said at a press conference: "The decision is valuable because it shows full understanding that the break-up cannot be realised without agreement and assistance from NTT and shareholders."

However, the government and the ruling Liberal Democratic Party expect NTT to work to answer its critics' complaints. *The charges against* the corporation are that it is too big to be efficient, and that because of its size it tends to monopolise telecommunications services to the detriment of the consumer.

Critics say that three rival companies established to handle long-distance telephone calls are too small to compete. They add that the inadequacy of the company's management controls was highlighted by *the Recruit affair, in which* three former senior officials were charged with accepting bribes, among them Mr Hisashi Shinto, the chairman.

NTT has been responding to such claims since before its inception as a private company. Since 1986 it has cut its workforce from 304,000 to 277,000 and reduced long-distance charges at a cost of some Y200bn a year in revenues. In the year to last March, revenues totalled Y5,841bn. It has left the cost of a local call unchanged at Y10, for fear of provoking opposition from politicians.

The company now intends to redouble its efforts. After the announcement of the decision to postpone any consideration of a break up, NTT said in a statement that it would do its utmost for users and shareholders.

NTT is charged with being too big to be efficient, to the detriment of the public

The details are embodied in NTT's medium-term management plan which runs until the end of the 1995 financial year, that is to March 1996. Its watchword is "service vision," meaning a commitment to across-the-board improvements in service and management, in promoting fair competition and being a good corporate citizen.

Its plans include:

- Cutting the workforce further to 230,000 by March 1996, by encouraging early retirement, cutting recruitment programmes, and increasing transfers to subsidiary companies;
- Upgrading the telecommunications network by completing creation of a digitalised network across Japan and introducing optical fibre systems;
- Reducing the maximum cost of a three-minute long-distance call to Y200 and improving service through a "best service" campaign among staff. A large element of this will be boosting morale in a group which once regarded is itself as a standard-bearer for Japan's high-technology industries;
- Promoting competition by establishing a Fair Competition Promotion Office, which, says NTT, is "actively working towards a fair and competitive telecommunications market." *It will encourage strict* accounting within divisions of NTT, which will make clear the extent of cross-subsidies between local calls (often loss-making) and long-distance services;
- Considering forming the mobile communications business into a separate company, as demanded by the telecommunications ministry. This will probably be a wholly-owned subsidiary, similar to the one NTT has already created for its electronic data services operations.

NTT is also likely to maintain its fierce public relations campaign against break up. It says the speed of change on telecommunications is so fast that it is impractical to split the company.

It argues too that *local call* rates would have to be increased to cover costs if the profits of long-distance services were kept separate – as happened in the US following *AT&T's division.*

"The US is the only country in the world which has divided its network into intra- and intercity systems, and this was for special historical and geographical reasons. Yet even in the US there is wide debate about the efficacy of that decision," says NTT.

"In an age of increasing globalisation of telecommunications networks, all countries are retaining integration of their networks (England, France, West Germany being good examples). The overwhelming trend today is towards integration, not division, with the 1992 (economic) integration of the *EC being a* prime example. Japan, alone, wants to dissolve its unified and integrated network."

But rhetoric cannot win the war for NTT. Its must stick to the improvements it has promised and continue to foster good relations with its allies in the finance ministry. The ministry's privatisation programme is a key element of government policy – officials will go out of their way to put their plans back on track. This will have to include rehabilitating NTT in the minds of investors, although officials will have to wait until the crash in the Tokyo stock market has finally played itself out.

MEXICO

On the road to privatisation

THE administration of President Carlos Salinas de Gortari faces few greater challenges than expanding and *upgrading Mexico's telecom*munications infrastructure.

Mexico's economy is among the world's biggest 15, yet it still has only five telephones per 100 people and about 10,000 population centres of 500 *inhabitants* or more without any links at all.

In terms of telecommunications infrastructure, the country is very much in the bottom half of the world league at about 90th place.

At the same time its internal and external telecommunications have generally fallen far short of the expectations and needs of its sophisticated businesses.

Faced with the need to raise revenue and in line with the Salinas philosophy of limiting the state's role in the economy, the Government last October set about the privatisation of the 51 per cent state-owned Telefonos de Mexico (Telmex) as the only means of finding the minimum $10bn investment required if expansion tar*gets are to be met and true* "modernity" achieved.

Woeful service, and worse, was largely the result of union power and bureaucratic inertia

Paradoxically, Telmex has been a financially healthy monopoly, unlike many loss-making public sector entities. At the end of the first quarter *of this year, Telmex's total* assets were approaching $6bn, with a book value about 55 per cent as much. Sales were up by 28 per cent in 1989 and operating profits by no less than 55 per cent (inflation was offi*cially calculated* at 20 per cent).

At the same time Telmex's share price had risen to 3,290 pesos compared with 690 pesos at the beginning of 1989, an increase twice as great as the *rise in the Mexican Stock Mar*ket index. Telmex has enjoyed healthy profits because of heavily subsidised local services (including many free call booths among the pathetically few 40,000 existing in the country). *These have been compen*sated for by highly taxed interstate (ie regional) services and what were until the beginning of this year the most expensive international charges in the world.

*In contrast to its stock mar*ket performance, Telmex's image at home has been abysmal; it was a byword for inefficiency, incompetence and lack of service as well as petty corruption and bribery (hardly surprising given the often five-year waiting lists for telephone connections).

Woeful service, and worse, was largely the result of union power and bureaucratic inertia. *Under a revitalised man*agement Telmex began to put its house in order just over a year ago.

This followed successful negotiations with the Syndicate of Telephonists of the Mexican Republic, which did away with 52 departmental agreements and opened the way for labour mobility without any lay-offs of 48,000 union members. Further expansion is expected to take up the slack.

The process was helped by the fact that Ericsson and Indetel-Alcatel, Telmex's two main suppliers and contractors, both with large manufacturing bases in Mexico, hire and use their own labour to install equipment.

The lack of development reflects the six years of economic stagnation following the *financial crisis of 1982 and the* fact that Telmex has handed nearly a third of its revenue, rather than profits, to the government.

It has not, however, suffered liquidity problems, and has been able to borrow from banks through import financing or direct credit.

At the turn of the year its fiscal regime was changed so that Telmex now pays the flat-rate corporation tax like any other company. In addition, long-distance rates have been cut to a level nearer the international norm while domestic rates have been increased.

Among the guidelines for privatisation are that the government will continue to regulate the industry and that the percentage of foreign shareholdings should not exceed 49 per cent, with a ceiling of 10 per cent on any single holding.

The new owners will be granted a 30-year concession to operate the network to be reviewed every five years.

Among the long-term aims for the privatised Telmex would be to ensure that every *population centre of 500 people* or more is connected to the network. Another is to increase the per capita number of telephones from 10 to 20 by 2000.

Initially, however, the target *will be to ensure that at least* 50 per cent of Mexico's exchange stations and 65 per cent of its long-distant network are digitalised by the end of the fifth year after privatisation.

In privatising the company, the Ministry of Finance has set a price of $6bn, suggesting that it is looking for proceeds from the sale of rather more than $3bn. *Because of the amount of* capital involved, present thinking is that the sell-off might have to be phased with the first stage not necessarily completed this year.

The lack of development reflects six years of economic stagnation following the crisis of 1982

The authorities have in mind *as a model the UK's privatisa*tion of British Telecom in the early 1980s even though there is no scope for selling to subscribers or individuals on such a similarly large scale, given the thinness of the Mexican Stock Exchange.

However, the authorities would like to see competition in value added services. Eight cellular franchises were awarded last month. To date *no decision appears to have* been taken about a long-distance competitor to Telmex, such as British Telecom has in the shape of Mercury.

As privatisation approaches, Telmex has been greatly reinvigorated and shows signs of having the potential under a new regime to make up for lost ground.

Richard Johns

To import or not? **David Housego** reports on India's bitter division

Row raises foreign hopes

FOUR months after the coming to power of the new Indian administration of Prime Minister V P Singh, the disputes over telecommunications policy are far from being resolved.

India needs to spend about $8bn over the coming years to install an additional 15m lines and digital switching equipment. The leading issue at stake is whether it will rely on the indigenous Centre for the Development of Telematics

India needs to spend $8bn on an additional 15m lines and digital switching equipment

(C-DOT) technology for main urban switching equipment or whether it will turn to international suppliers.

Until last November's general election, Mr Sam Pitroda, the US-trained electronics engineer who headed both C-DOT and the telecommunications department of the government, had a free hand to determine policy. Last year he closed the door to further imports by announcing that India would rely on C-DOT technology to develop its own main exchanges.

Because Mr Pitroda had the confidence of former Prime Minister Rajiv Gandhi, he immediately came under the suspicion of the new administration.

Mr K P Unnikrishnan, the new Minister of Communications, announced that India would not hesitate to import technology if this was needed. Currently Alcatel's E10B digital exchanges are manufactured in India under licence. The only plant, however, at Mankapur in Uttar Pradesh, has a limited capacity of 500,000 lines a year.

The new minister also set up an inquiry into the C-DOT programme to see whether it could meet India's requirements and what the delays would be in producing main exchange equipment.

Although its report had not been published by the beginning of April, leaks had surfaced of the bitter divisions within the committee. Four of the 13-person committee led by Mr G M Meemamsi, himself an executive director of C-DOT, accused the majority of attempting to pillory C-DOT – and Mr Pitroda in particular.

The controversy has inevitably raised the hopes of foreign manufacturers of gaining a wider share of the Indian market. Alcatel, as the existing foreign supplier, is best placed to achieve this.

However, Ericsson, AT&T, Siemens and British Telecom are all looking for niches for themselves – some of them in areas apart from digital switching systems.

A prototype of the C-DOT 16,000-port main exchange is currently on field trials in Bangalore though operating with only 3,000 lines.

Mr Pitroda says this could be raised to 20,000 lines when

Mr Sam Pitroda's unorthodox approach has made him many enemies

commercial production begins in June – about nine months behind schedule – and to 40,000 lines by the end of the year.

Though Mr Pitroda has won praise for his development of low capacity office (PABX) and rural (RAX) exchanges, he has still to dispel doubts that the modular system on which C-DOT is based can handle the large traffic of an urban centre. The C-DOT main exchange is based on the same architecture as a low capacity one – but it is enlarged by extending the number of printed circuit boards. Multinationals which have tried this modular approach claim that it cannot be adapted to main urban exchanges.

So far 30 manufacturers have been licenced to produce the low capacity 128 port C-DOT PABX of which 1,200 systems are in service. Ten manufacturers are producing C-DOT rural exchanges, and 100 have been installed.

The 512-port exchange with 1,500 lines is ready to go into production – although it is said to have had some problems with its software – with eight manufacturers licenced to produce it.

Mr Pitroda's strength is that he has had much of the Indian scientific community on his side and strong support from his own 500 C-DOT team. His philosophy of self reliance appeals to a government which is attempting to cut back imports and thus save on foreign exchange.

As the C-DOT exchanges are part of a family of products, Mr Pitroda claims that no new production facility would be needed to shift to the making of main line exchanges. His C-DOT exchange would work out in terms of line installed at well below the cost of the French system.

Since the change of government, however, and the setting up a committee to look into C-DOT and its business practices, the issues have become entangled in personalities and politics. A charismatic figure able to inspire enthusiasm, Mr Pitroda's unorthodox approach has made him enemies both among the bureaucracy and in industry.

In what seems some modification of his earlier hostility to multinationals he has more recently indicated that foreign companies might be brought in to supply switches for large urban exchanges above 40,000 lines. But he has equally made clear that he has no wish to quit – whatever the pressures on him.

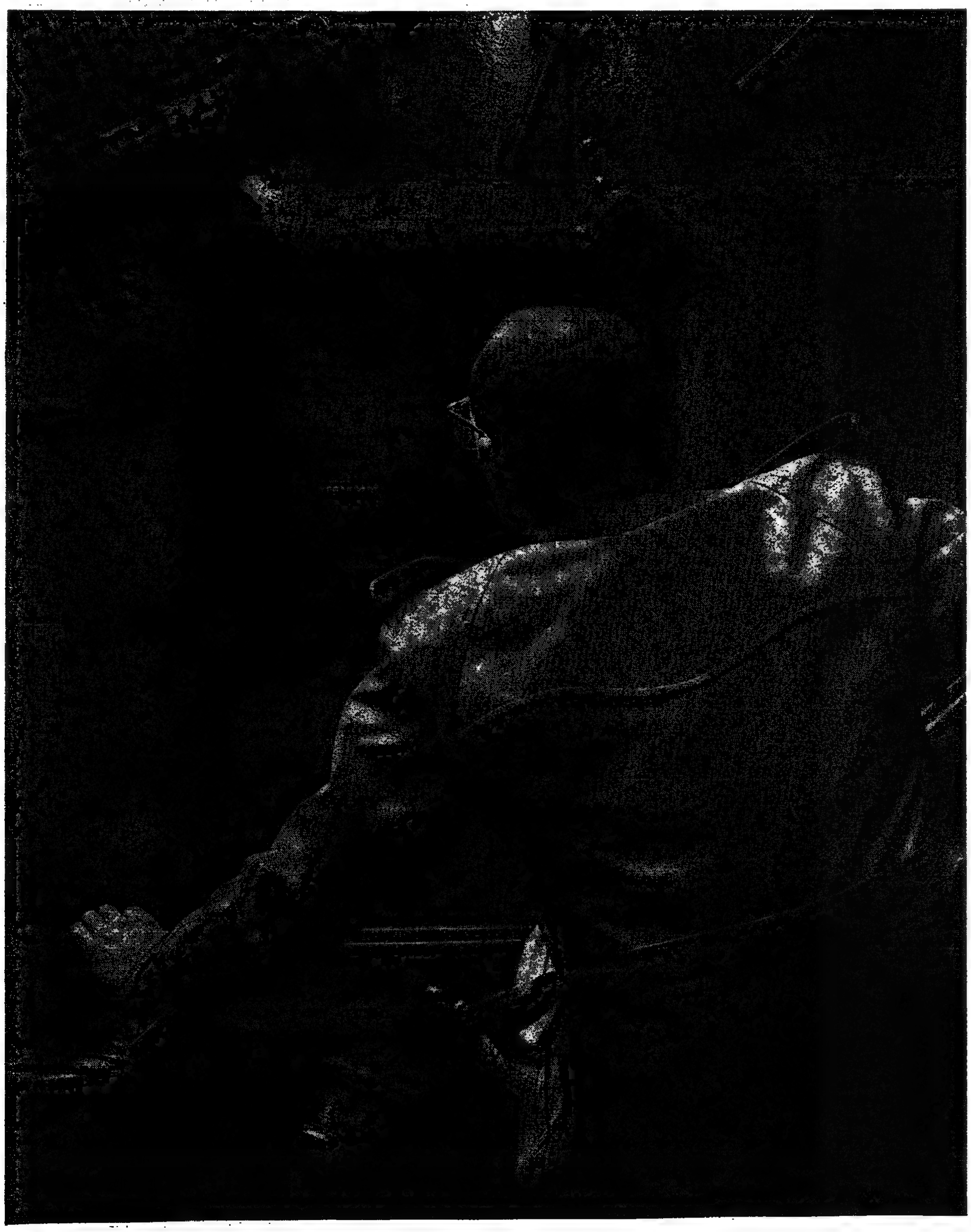
The danger of this dispute continuing is that it will further delay the updating of the Indian telephone system.

As things stand, it is virtually impossible to obtain a call between New Delhi and Calcutta during the day time and difficult to reach Bombay. Beyond this, the system is totally inadequate when it comes to handling the increasing volume of data traffic companies want to send.

Indian telecommunications: forecast to 2005 by % of total expenditure and value ($m)

Product Sector	1986	1990	1995	2000	2005
Public switching	27% 353.2m	29% 899.0m	26% 962.0m	23% 1,058.0m	21% 1,071.0m
Transmission	26 340.1	26 806.0	25 925.0	25 1,150.0	24 1,224.0
Cable (including fibre optic)	9 117.7	11 341.0	11 407.0	10 460.0	11 561.0
Satellite earth equipment	4 52.3	5 155.0	5 85.0	5 230.0	5 255.0
Data communications	4 52.3	4 124.0	7 259.0	9 414.0	10 510.0
PABX and keysystems	6 78.5	7 217.0	7 259.0	8 368.0	8 408.0
Customer premises equipment	8 104.6	9 279.0	9 333.0	8 368.0	7 357
Mobile communications	5 65.4	7 217	8 296	10 460	10 510
Other equipment	11 143.9	2 62.0	2 74.0	2 92	4 204
TOTAL	1,308.0	3,100.0	3,700.0	4,600.0	5,100.0

Telecommunications Research Centre



NIGERIA

Nitel a poor advertisement for Nigeria

AN advertisement by Nitel, Nigeria's state-owned telecommunications monopoly, proclaims that the corporation provides efficient, effective and reliable services: "Nitel, a sure link to everywhere".

The corporation has trouble, however, living up to this extravagant sobriquet. For instance, demand in Lagos, the largest city, is conservatively estimated at twice the connected capacity of 97,000 lines and a 20 per cent success rate on attempted-calls. As one businessman in Nigeria puts it: "The primary restriction to development in this country is the deplorable state of its telecommunications."

Nigeria is Black Africa's largest country in terms of trade and population. With an economy based primarily on the export of oil, it experienced a boom in the 1970s and early 1980s with foreign exchange earnings rising to a peak of $26bn in 1980.

Since the collapse of the oil price, earnings have fallen to about $8bn last year. Coupled with a foreign debt of $30bn, the government is faced with the problem of how to develop a country of more than 100m people while suffering a net outflow of capital.

Against this background, a truly effective telecommunications system is regarded as essential by both government and the World Bank if old businesses are to be retained and new ones attracted.

The task facing the authorities is colossal. Informed sources put the national installed capacity at 394,000 lines but with only 250,000 theoretically operational. Of the latter upwards of 40 per cent are believed to be out of service at any given time.

The disparity between installed and operational capacity, according to one technician, dates back to a trend in the 1970s to install exchanges in locations where demand was minimal. An exchange of 500 lines might be supplying demand for 50. In addition, many of the projects were not turnkey; an exchange might be installed but without the surrounding cable network to connect it to potential con-

More and more businesses in Nigeria are searching for an alternative to Nitel

sumers.

That so many of the operational lines are out of order is due to poor maintenance. In 1965 foreign suppliers ceased to maintain installed equipment because, sources say, of payment disagreements. Although Nitel staff had been trained for maintenance, a high proportion had either left the corporation or had office jobs and were no longer in the exchanges. A simple matter such as broken air-conditioning would lead to a system overheating; and spare parts were not forthcoming.

In addition, there has been considerable delay between the supply and installation of equipment. Civil works contracts in relation to the construction of the new exchanges were awarded to local companies which failed to complete the buildings on time. This resulted in some of the exchange equipment being warehoused for up to 10 years.

As a move towards rehabilitating and expanding the system, a decision has been taken by the federal government to commercialise Nitel, which up until 1988 has made recurring losses. Charges for both local and international calls were increased by more than 70 per cent and a concerted effort was made to collect unpaid bills.

For instance, there have been mass-disconnection exercises where customers have had to produce receipts to prove that payment has been made. Only then were lines reconnected. In a well-publicised move, the Sheraton Hotel had all its lines cut for non-payment only for Nitel to admit an accounting error.

Sources within Nitel say that the result has been a turnaround in the corporation's finances with a reported profit in 1989 of N770m ($102m). But many observers are sceptical of these figures.

While the profit objective is laudable, many of the larger corporations protest that the price increases are excessive and the standard of service remains poor. In past years the banks and oil companies paid for open lines both within the country and to international destinations as a means of ensuring reliable communications. The recent tariff increases, however have made Nigeria one of the most expensive countries in the world in which to secure an open-line.

One businessman estimated the cost of an open-line from Lagos to Port Harcourt, the centre of the country's oil industry, to be N167,000 (about £22,000) per annum; the price of an open-line to London is about N1.7m (£200,000) per annum. Instead of attracting new business to the country

'Commercialisation is insufficient. Privatisation is what we are looking for'

through improved services, Nitel's charges make the cost of operating in Nigeria prohibitively high.

More and more businesses in Nigeria are searching for an alternative to Nitel. The state-owned Nigerian National Petroleum Corporation has invested in its own national telephone network using microwave links. Many leading companies have high-frequency radio-networks to link their offices and factories around the country.

But companies do not find such systems trouble-free. As one businessman puts it: "There is no regulation of the airwave. One week our frequency was clear, the next we were sharing it with the army and a construction company."

Restructuring Nitel remains the long-term solution to the problem and negotiations are presently under way to secure finance for what is termed the First Telecommunications Project. With a total cost of $500m – 76 per cent in foreign exchange, 24 per cent in naira – Nitel is discussing a loan of $200m with the World Bank. This still leaves a foreign currency financing gap of $175m which it is hoped will come from export-credit agency cover. However, export credit agencies regard Nigeria as a high-risk country having suffered substantial losses in the early 1980s.

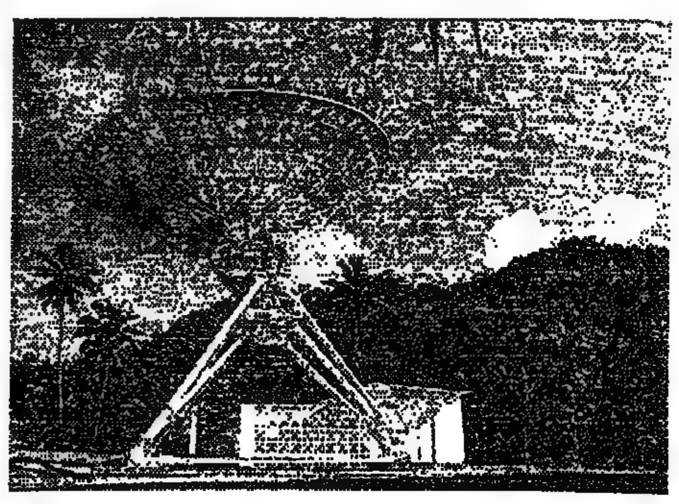
The project envisages expanding the national network by a further 213,000 lines including a further 135,000 for Lagos. This is good news for the suppliers who are headed in Nigeria by Siemens and ITT. It is believed, however, that NEC and Marubeni of Japan may attempt to increase their market share by providing the additional finance for the proposed project.

Although the project will provide for a 54 per cent increase in the number of lines, senior figures within the industry see it as only scratching the surface of national demand. At present there are only an estimated 0.2 operational lines per 100 people whereas the minium figure generally accepted as necessary for a developing country is 1/100.

Observers are also critical of attempts by the federal government to reform Nitel. They say that the corporation is overstaffed; that the pay structure is a disincentive to productivity; and that management decisions are interfered with by government.

As one businessman explained: "Commercialisation is insufficient. Privatisation, that is what we are looking for."

William Keeling



Cable and Wireless earth station near Mahe in the Seychelles

CELLULAR TELEPHONES

The heavy cost of unregulated growth

THE market for cellular telephones in the leading western countries is continuing to expand at breakneck speed. In the UK, the number of cellular subscribers should reach 1m around the end of this month – nearly one for every 50 inhabitants – just over five years after the competing services of Cellnet and Racal-Vodafone were launched at the beginning of 1985.

The other European countries have about 1.5m subscribers between them. The US market, the largest in the world, has just reached 4m, according to latest estimates; and Japan has about 400,000.

The potential for growth is indicated by the Scandinavian nations, which still have a far higher penetration of cellular telephones than any of the other advanced countries. Sweden has 43.82 telephones for every 1,000 inhabitants, and Norway has 42.37, compared with 16.44 in the UK.

The other western European countries, which in the late 1980s mostly found themselves lagging far behind the UK and Scandinavia, partly because of their relatively high equipment prices, are expected to start catching up in the early 1990s. Growth will be fuelled by the launch in 1991 of the first of the long-discussed digital cellular networks which will conform to a common European standard – in contrast to Europe's analogue networks, which operate to different and incompatible standards.

The implementation of the digital networks, which will operate on specifications drawn up by the Groupe Speciale Mobile (GSM), a group set up by Europe's PTTs with the blessing of the European Commission, will mean that subscribers will for the first time be able to use the same telephone across most of Europe.

More significantly, it will mean equipment manufacturers, which hitherto have had to address fragmented, relatively small markets, will be able to address a single market of 350m people. This will probably increase, given the anticipated expansion into eastern Europe, where the construction of cellular networks could provide a way of establishing modern telecommunications systems more quickly than could the laying of landlines.

The East German authorities – which have already sanctioned the expansion into East Germany of the existing West German analogue system – are showing considerable interest in GSM as well. The Hungarian PTT, which has set up a joint venture with the US telephone company US West to operate an Ericsson-supplied analogue system in December, is likely to follow suit.

The ability of GSM manufacturers to address a single market should help push down widely varying prices and help bring cellular closer to a consumer market. The GSM networks will account for the bulk of the 10m to 15m cellular subscribers predicted for western Europe by 2000.

However, the limitations of cellular may mean a genuine mass market will be obtainable only through other routes. The UK, for instance, is developing two technologies – telepoint and personal communications networks (PCN), which will probably be based on GSM – which are intended to address mass markets. Other countries may adopt other routes.

It is still not clear that GSM networks will achieve the proposed starting date of July 1991. Some PTTs, such as those of Italy and Spain, may be reluctant to push ahead quickly because they are only just putting new analogue systems into operation and will not want to see these systems rapidly overtaken. Manufacturers are unlikely to be able to bring out a full range of digital products by next year, and admit that digital equipment will, initially anyway, be larger and more expensive.

Problems could also arise because of the long-running dispute over intellectual property rights. The rejection by the manufacturers of proposals from the operators and the European Commission, under which patent rights infringed by the GSM specification would have been waived, has meant that patent discussions have had to be carried out by individual manufacturers on a bilateral basis.

Problems could still arise, for instance, over the use of patents in equipment sold outside Europe. Most western European countries have already decided to follow the UK's duopoly model for cellular by licensing a private operator to run a digital network in competition with the PTT. West Germany, France, Sweden and Finland have already appointed private operators, and Norway, Denmark and Portugal are expected to follow suit this summer.

However, all these countries will have noted the fact that in the UK the problems of growth are showing. The UK industry is only now coming to grips with the distortions caused by the competition between the 50 or so service providers, the companies which retail the service on behalf of the two network operators.

In the first half of last year this competition raised to unprecedented levels the bonuses paid to dealers, who sell equipment and sign up most of the customers. As a result, equipment prices plummeted. The rate at which new subscribers were being added to the networks each month nearly doubled from just over 20,000 in the early part of the year to 40,000 in the autumn.

This growth led to a significant deterioration in the service provided by the network operators. By October, more than 10 per cent of calls were failing to get through at peak times, according to the monthly statistics collected by the UK watchdog, the Office of Telecommunications (Oftel).

The situation is thought to have worsened in November and December, but Oftel has not published any figures for five months. Racal-Vodafone says its computer has been unable to gather the necessary information because of the high traffic levels. However, congestion is thought to have eased again earlier this year following a slackening of the expansion rate to 30,000 to 35,000 a month.

The growth also had an impact on service-providers themselves, who found themselves paying out so much money in bonuses that they could not make any profits. They also realised that the combination of cheap equipment and hungry dealers was attracting the wrong customers – people who were attracted by the idea of a cellular telephone for £10 but who were caught by surprise by monthly bills of £80 and could not or would not pay them. Many service providers became alarmed at the level of bad debt and the rate at which customers disconnect from the system.

Service providers have, since the end of last year, been trying to bring about a co-ordinated and gradual reduction in bonus levels in £50 steps. The market leader, Talkalnd International, is, for instance, planning to cut its maximum bonus from £420 to £370 at the end of this month. This reduction, together with the downturn in the economy, has contributed to the slowdown in the overall subscriber growth rate. Competitive pressures may make it difficult, however, for service providers to go ahead with a further £50 cut in the summer.

The slackening of the growth rate has also affected manufacturers who geared up their production in response to the heavy demand of last autumn. They now face a glut, and will have to cut back production.

Neil McCartney

European Cellular-telephone subscribers (March 1990)

Country	System	Launch	Subscribers	Penetration per 1000 of pop
Austria	NMT-450	11/84	53,106	7.12
Austria	TACS-900	2/90	1,306	-
Belgium	NMT-450	4/87	33,400*	3.32
Denmark	NMT-450	1/82	54,276	24.88
Denmark	NMT-900	12/86	73,809	-
Finland	NMT-450	3/82	115,318	33.75
Finland	NMT-900	12/86	52,083	-
France	RC 2000	11/85	181,231	3.34
France	NMT-450	8/89	18,000	-
Ireland	TACS-900	12/85	13,500	3.80
Italy	RTMS	9/85	75,100	1.31
Luxembourg	NMT-450	6/85	443	1.21
Netherlands	NMT-450	1/85	28,300	3.87
Netherlands	NMT-900	1/89	29,000	-
Norway	NMT-450	11/81	136,481	42.37
Norway	NMT-900	12/86	41,477	-
Portugal	C-450	1/89	3,246	0.32
Spain	NMT-450	6/82	32,940	0.84
Sweden	NMT-450	10/81	226,196	43.82
Sweden	Comvik	8/81	17,900	-
Sweden	NMT-900	12/86	125,716	-
Switzerland	NMT-900	9/87	80,051	11.86
UK	Rac-Vod TACS-900	1/85	500,000*	16.44
UK	Cellnet TACS-900	1/85	440,000*	-
West Germany	C-450	9/85	176,649	2.89
TOTAL			2,519,944	7.28

*Estimate

Source: Mobile Communications

Personal communications networks

Challenge to BT's grip

THE UK Government's decision last December to license three operators of personal communications networks (PCN), rather than two, illustrates its determination to use PCNs to create a mass market for mobile communications and so finally to generate competition to the fixed telephone network.

The three licensees, Mercury PCN, Unitel and the British Aerospace consortium, predict their networks will be serving between 10m and 15m customers by 2000 – roughly 18 to 36 per cent of the population, compared with present penetration of less than 2 per cent. By that time customers will be using lightweight, two-way handsets costing less than £100, which will operate in the office or at home.

Two of the operators anticipate they will be offering services to residential users at a price perhaps only 20 per cent above BT's. At the moment, the premium on BT rates paid by users of cellular services can be as much as 610 per cent for a local call at peak periods, and 200 per cent for a trunk call, according to Octagon Telecommunications Services.

The PCNs, which are expected to come into service in 1992 or 1993, are thus being advanced as the latest answer to a problem which has exercised the UK government for some time – how to provide an alternative to BT's local network monopoly.

This role had at one time been earmarked for the UK's cable television companies, but these have developed much more slowly than was hoped. Mercury itself has little interest in investing the huge sums needed to create local terrestrial networks. Other European governments are also interested in the use of mobile communications to introduce more competition into their markets.

The introduction of PCNs – which will be based on the pan-European digital cellular telephone technology developed by the Groupe Speciale Mobile (GSM), but will operate at higher frequencies, and use smaller cells – could also provide an important interim step between the GSM systems and the third-generation universal mobile telephone system (UMTS). This high-frequency system is being developed as part of the European Commission's programme of Research and Development of Advanced Communications in Europe (Race).

The implementation of UMTS – which envisages the use of hand-held personal communicators, operating to a common standard for public cellular systems and private domestic and business cordless telephones – will ultimately mean that everyone will be issued with a personal permanent telephone number.

It is anticipated that GSM systems, which have been allocated 50 MHz of frequencies in the 900 MHz section of the spectrum, will be running out of capacity in the main European urban areas in about 1996. PCNs, which in the UK will operate at between 1.7 GHz and 1.9 GHz, using up to about 150 MHz of spectrum, could thus provide the next tranche of capacity before the Race networks come into service.

The UK government's hope that other European countries would follow its lead in adopting PCNs were further boosted by last month's decision by the European Telecommunications Standards Institute – the European standards body set up by Europe's PTTs with the backing of the Commission – to prepare a GSM-based standards for PCNs.

The DBP has said it will make its own individual contribution to the standards work, in addition to its contribution through Unitel.

Perhaps more significantly, a contribution has also been offered by France Télécom, in spite of the fact that it has no immediate interest in the project. France Télécom has always maintained that PCNs should be based on the standard for the proposed Digital European Cordless Telephone (Dect) – an option originally considered by the UK – rather than on that for GSM. However, with Etsi having decided to adopt the GSM route, France Télécom may have to rethink its position, and there is still time for it to take an active role in one of the UK PCN operators.

However, some critics believe the UK operators of PCNs will find it difficult to achieve the low service prices that will be necessary for effective competition with BT. They say that if PCN is really to serve a mass market, the operators will have to spend so much on their networks that prices akin to BT's will be too low for survival.

The anticipated low tariffs for PCNs are based partly on the expectation that the networks will be much cheaper to establish than cellular networks. Each of the UK's operators expects to invest between £1bn and £1.2bn on its network, implying an investment of £200 to £350 a subscriber. This is less than half the level of investment of the UK's two analogue cellular operators, Cellnet and Racal-Vodafone. By the end of last year Cellnet and Racal-Vodafone had invested a total of about £600m in their two networks, which were serving about 800,000 subscribers, giving an equivalent investment of £750 a subscriber.

Some experts say that it is unrealistic to expect that PCNs will require such a low level of investment if they are to provide the services expected of them. Mr John Pickin, a management consultant for PCN applicant Ferranti Creditphone and for Etsi's Mobile Experts Group, argues that mass market PCNs, which are genuinely competing with the fixed network, will have to support up to five times as much traffic per subscriber as the existing analogue networks. This would require heavier investment in infrastructure largely cancelling out the savings that can be made through new technology.

Unitel and the British Aerospace group nevertheless maintain that they can compete with the fixed network in the medium to long term because of the economies of scale that can be expected through a mass market.

British Aerospace says it will apply the same local call rate, 20-25 per cent above BT's local call rate, whether the call is made at home, on the motorway or in any other part of the country. Initially, peak time rates for both local and trunk calls will be more. Unitel says it will charge the residential user two pence a minute off-peak for local calls made at home, and five pence a minute at peak times. If the user moves outside his home zone, an intermediate or upper-band charge will apply.

Neil McCartney

INTERNATIONAL TELEPHONY

Cartel distorts world economy

TELEPHONE users around the world will this year make about 30bn minutes of international phone calls. They will pay phone companies about $30bn or a dollar a minute.

The charge of a dollar a minute might seem reasonable given the fact that international phone calls have to be carried by satellites in the sky and cables on the ocean floor. However, the cost of such facilities has fallen so dramatically in recent years that customers are paying between two and four times what they should for making international phone calls, according to an investigation published earlier this month by the Financial Times.

The US Federal Communications Commission estimates that the cost per minute of using transatlantic cables fell from $2.53 in 1956 to $.04 in 1988 and should fall to $.02 in 1992.

The explanation for the excessively high price of international calls has nothing to do with the underlying costs. It is rather the reflection of monopoly rents which the international phone companies

The high prices reflect monopoly rents which the phone companies are extracting from their customers as a result of cartel practices which limit competition

are extracting from their customers as a result of cartel practices which limit competition.

The effect of the international phone cartel is to create a significant distortion in the world economy, much in the same way that the Opec oil cartel distorted world trade in the 1970s. By charging people excessively high prices for communicating across frontiers, the international phone cartel distorts virtually every other branch of industry.

The cartel, which has the tacit approvement of most of the world's governments, is based on four main elements.

■ Most of the phone companies have a monopoly of international communications from their country. As a result, in order to provide international phone services, the phone companies are forced to collude with one another.

■ The CCITT, the Geneva-based club of phone companies, advises its members not to allow international private circuits to be used for public phone conversations. The effect is to prevent private companies from setting up rival international phone services to compete with the cartel's members.

■ International cables and satellites are mostly owned on a co-operative basis by members of the cartel.

■ There is an obscure and complex accounting rate system for dividing up the revenue from international calls.

The broad principles of the accounting rate system are set by the CCITT but individual accounting rates are negotiated in bilateral meetings between the phone companies. Because only the phone company in the country where the call is originated collects money from customers, a method had to be found to compensate the phone company which delivered the call to its final destination.

The accounting rate system is intended to do this by paying the company that delivers the call for its costs. However, accounting rates are set at several times the level of costs.

This keeps the prices charged to customers at an artificially high level for two reasons.

First, if a phone company were to reduce its prices to the level of costs, it could end up making a loss because it would be paying its counterpart in the other country artificially high accounting rates. Second, if it reduced its prices, customers would soon realise that it was cheaper to make a call out of that country than a call into it.

Since phone companies earn more money out of incoming calls than outgoing calls, any such switch in traffic which replaces incoming calls by outgoing calls, hits their bottom-line severely.

Some examples of artificially high prices:

■ A call from Britain to the US should cost about the same as a long-distance call in the UK and only 25 per cent more than a local call, according to Mr Nick Williams, the telecommunications consultant at Touche Ross, the accountants in London. In fact, a call from the UK to the US is charged at five times the long-distance rate and 15 times the local one.

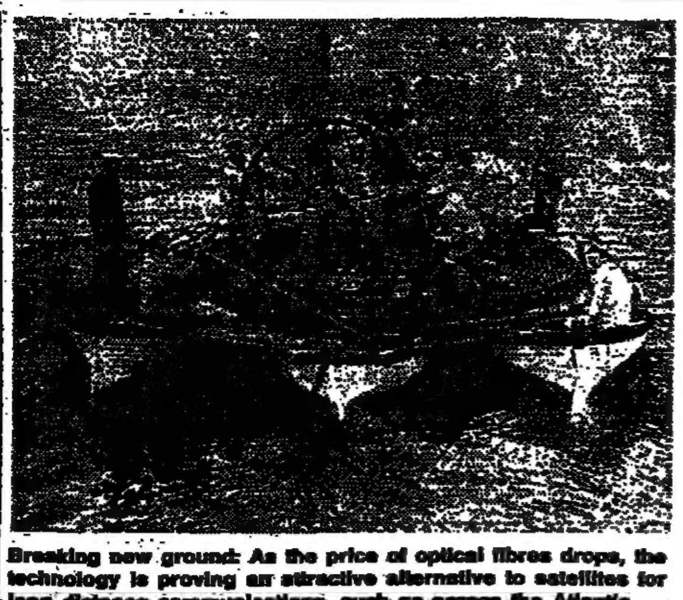
■ A peak rate call from London to Paris is charged at three times the 12p a minute rate for a call from London to Birmingham.

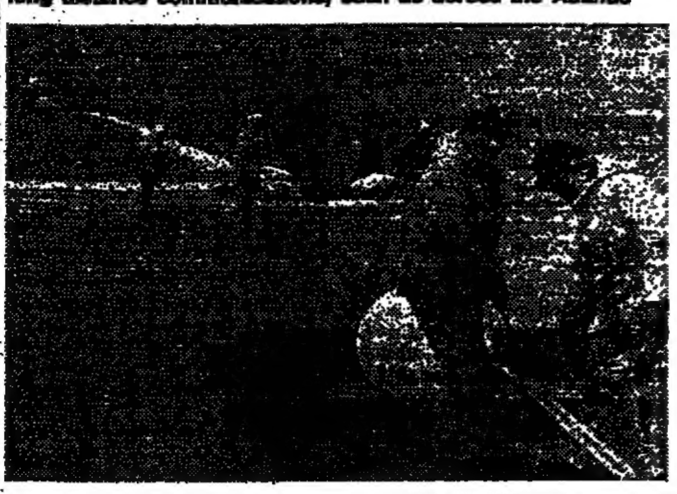
The international phone cartel is gradually catching the attention of the world's telephone watchdogs. However, so far no decisive action has yet been taken. Four principal things could be done to undermine the phone cartel.

First, countries could license more international operators, so abolishing their monopolies. Second, the restriction on using private circuits for public traffic could be abolished. So far, only the US has removed this restriction, something which is meaningless on its own because to operate an international private circuit, agreement is needed from both ends of the facility.

Third, countries could allow private operators to build international cable and satellite links. Finally, governments could seek to reform the accounting rate system and to drive down bilateral accounting rates towards costs.

Hugo Dixon





Breaking new ground: As the price of optical fibres drops, the technology is proving an attractive alternative to satellites for long distance communications, such as across the Atlantic

CABLE/SATELLITE

Trapped in a regulatory mire

AT THE end of March, tennis fans in West Germany had the chance to watch live television broadcasts of Boris Becker playing in the Davis Cup tournament in Buenos Aires.

What they probably did not realise, between watching the power serves and the backhand slices, was that the event was significant from a communications point of view as well a sporting one.

The pictures were transmitted from Latin America using a satellite system owned by Pan American Satellite, the world's first private international telecommunications satellite operator.

It was the first time live television coverage had been transmitted from Latin America to the Sat-1 television network in West Germany.

But although Pan American Satellite is allowed to broadcast television pictures, the complex and varying regulatory framework imposed from country to country frustrates the company's aspiration to become a truly international communications satellite operator.

Whereas telecoms liberalisation in many countries has spurred a host of private companies to dig up the countryside and lay telephone cables – particularly in the US – the restrictions on satellite services means that Pan American is still the only private satellite company. The exorbitant costs of launching satellites has only compounded the situation.

A look at Pan America's portfolio of services demonstrates the regulatory mire. In central America – Chile, Ecuador, and Guatemala – Pan American's satellite is used by the domestic telephone companies to provide ordinary voice telephone services within their national boundaries, explains Mr Doug Goldschmidt, vice president for market development and regulatory affairs at the company.

But in the US, reputed to have the most liberalised telecommunications regime in the world, the services Pan American can offer are far more restricted.

The company can provide point-to-point leased lines services, sending data voice or video pictures, but only if the calls originate or terminate outside the US. Transmitting calls that begin or end on the ordinary telephone network are strictly taboo.

Pan American is now lobbying for all that to change, to enable it to compete with the satellite systems operated by Intelsat and the trans-Atlantic and trans-Pacific cables. Even if the regulations change, though, the commercial implications are still complex, Mr Goldschmidt says.

"To some extent the voice issue is very problematic," he says. "For us to come in as a niche provider is difficult because we have to compete with Intelsat and with cable which the PTTs own."

Mr Gordon Owen, deputy chief executive of Cable & Wireless, the telephone company which owns Mercury Communications in the UK, believes the PTTs are not resisting the use of private satellites simply to frustrate competition and protect their own investment.

He argues that there are genuine concerns about putting Intelsat's dominance in jeopardy. If Intelsat were to collapse, so would the satellite services on which third world countries depend.

Private satellite companies should be licensed to offer ordinary voice telephony services, he says. But they will prove uneconomical on high traffic routes, such as across the Atlantic, where optical fibre cables are now coming into use.

As the price of optical fibres continues to drop, the technology is proving an attractive alternative to satellites for long distance communications. The position of fibre optics has also been strengthened, in the public eye at least, by the recent spate of satellite launch failures.

That said, Mr Goldschmidt believes satellite services will still be a cheaper way of delivering phone services to remote locations, such as oil rigs or rural housing, or for signals which are to be broadcast – such as television signals.

"For video pictures they will be more economical until some time into the next century," he says.

Cable & Wireless, has been one of the main beneficiaries of of the liberalisation in worldwide telecommunications. The UK-based company has a stake in one of the two private international cable companies linking Japan with the rest of the world, and has installed the first private optical fibre link between the UK and north America.

But Mr Owen believes further liberalisation is needed. In Europe in particular the restrictive systems which still exist in most countries prevent overseas companies from entering the market, while the telephone companies from continental Europe are free to compete in the more liberal environments of the US and the UK.

"In telecoms terms 1992 is not a great opportunity for the UK in Europe," he says. "It's a great opportunity for the Europeans in the UK."

Della Bradshaw

FACSIMILE

The paper chase

IN CHICAGO, as in Milton Keynes, you can order a hamburger by facsimile. The UK's TSB bank *will send statements* to your facsimile machine. And if you are really keen to keep in touch by paper you can be contacted via your facsimile in your car or yacht. General Motors has made a facsimile socket standard on its new Oldsmobile Bravada to be launched in the US in the autumn.

Dataquest, the market researchers, estimate that western Europe bought nearly 1.5m facsimile machines last year. And by 1993 there should be 7.2m machines installed in offices, homes and cars. That represents a market growth of 141 per cent.

Facsimile transmission is old-fashioned and undermines the reasons why businesses use information technology. Although it is much improved since its invention in the 1920s, facsimile transmission is an expensive and wasteful way to send information.

Computers can speed data via telecommunications lines to far-away places much faster than facsimiles without the need for expensive bits of machinery and paper. But the facsimile has beaten its competition because it is so easy to use. And people much prefer sending or receiving a piece of paper to the complicated task of getting computers to talk to each other.

The Japanese have been largely responsible for converting the facsimile from a specialist technology into a consumer product. This came about because computer and telex-type communications are unsuitable for the Japanese alphabet. The machine is ideal to send urgent business correspondence which, in the East, is still mostly hand-written.

In the West telex was once the best way to send urgent national and international messages. Telex provided comfortable profits for telecommunications companies and improvements, such as teletex, were actively discouraged, which was a big mistake.

Although it is much improved since its invention in the 1920s, facsimile transmission is an expensive way to send information

Somebody should have thought about the customer who had to put up with the telex machine. This was, for many years, a horrible grey monster that clattered noisily in the corner, printing nothing but capital letters and figures very slowly on grey paper.

Although the machines were re-styled recently, telex was outgunned by the smart, compact *facsimile machines that* could send anything printed on paper, including pictures, to anywhere in the world.

Now the facsimile market can be divided roughly into three sectors. First is the relatively small and specialised professional market. For instance, parts of the pre-printed version of this newspaper is sent by *facsimile transmission* to printing centres around the world.

Second, is the office market. And third is the emerging domestic and mobile sector.

The trend in the office market is away from the use of thermal papers, which curl and discolour, to machines that use plain paper. The more expensive machines use the same technology as found in laser printers. Cheaper devices, such as the Canon Fax-350 at £1,800, use *a thermal-transfer technology* with plain paper.

Manufacturers talk about combining the four main paper-based office machines: facsimiles, copiers, printers and scanners. These devices together cost US offices $19bn last year, according to Dataquest.

It would, says the office equipment industry, make financial and logistic sense to integrate the different functions so that one machine will *print, copy, scan and fax*. And because this machine would be digital it could be connected to office computer networks.

Although none of these proposed machines have been made, some new office contraptions are showing the way. Ricoh, for example, offers a digital copier, called the DS320 in the US, which can do ele*mentary desktop publishing.*

The basic machine costs $9,950 but $3,800 worth of extras will turn it into a fac*simile with laser-print quality.*

People prefer sending or receiving a piece of paper to the complicated task of getting computers to talk to each other

Canon has also integrated some functions but it is concentrating on the personal market with its PC/answerphone/facsimile, called the Navigator in Continental Europe and the US and the PS2000 in the UK. The Navigator is designed for the executive's desk and the small business. Prices have yet to be announced.

In the home and mobile sector, facsimile makers hope to *boost sales* by tailoring machines for small businesses and those people who either work from home or outside the office.

Marketers have some linguistically painful labels for this sector. One is "soho" (small office/home office) and the other is the "outbound workforce".

Most facsimile makers and consumer electronics companies, such as *Toshiba*, Canon, Amstrad and Philips, offer compact machines. In the UK these cost from around £600 and are bought mainly by small businesses.

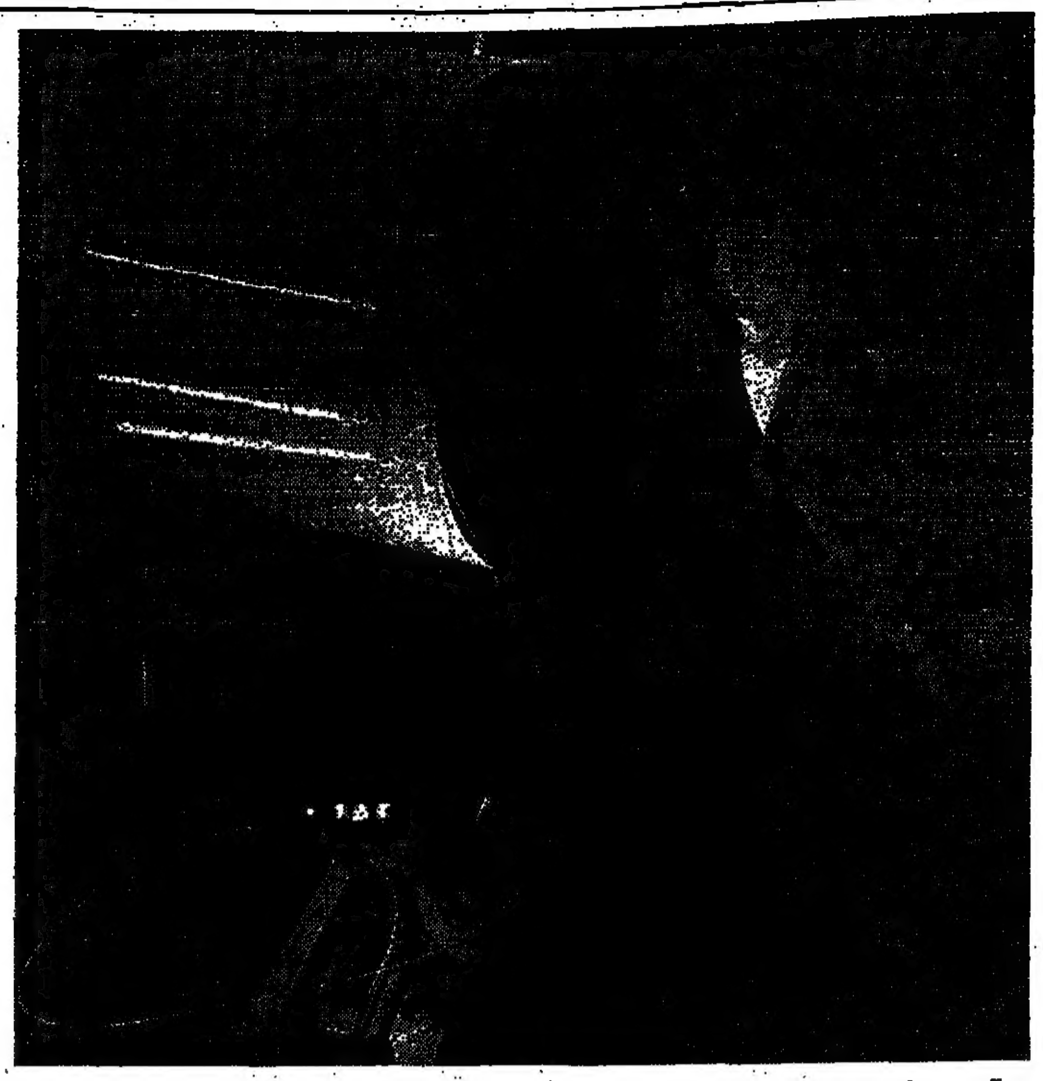
The British Facsimile Indus*try Consultative Committee* (BFICC) says 205,378 machines were bought in the UK last year. It does not break down its figures into market sectors but the home market is thought to be small.

Manufacturers hope the outbound workforce – travelling representatives, service engineers and peripatetic managers – will provide a ready market for the compact facsimiles and those designed for use with mobile telephones.

*It is possible to install a con*ventional facsimile in a car and link it to the cellular telephone system for just over £300. Some manufacturers, such as Ricoh, make a battery-driven machine especially for mobile use.

British Telecom, for example, is trying to sell facsimile services to emergency services, such as the fire brigade, police and chemical companies, who run their own pollution-monitoring service.

Peter Knight



Crystal clear view of fibre optics which are fine enough to pass through the eye of a needle

Della Bradshaw reports on how private networks can sharpen a multinational's flow of information

A direct line to international management

IF EMPLOYEES in Sharp's Chachoengsao factory in Thailand want to chat to someone in the Japanese headquarters in Osaka they pick up the telephone and dial the equivalent of an internal telephone number. It is as easy – if possibly not as quick – as calling someone in the next office.

Since December last year, *employees* in Sharp's US and Canadian offices have also been plugged into the same private telephone network. And from later this year employees in all of Sharp's offices around the world should be able to call any other office using the company's international network.

The logic behind the Sharp move is to make management information available at the same time to all its offices and manufacturing plants.

Sharp is just one of a clutch *of Japanese companies* which has decided to install global communications networks. Others that have taken the plunge include Hitachi and the Mitsubishi Corporation, trading arm of the giant Mitsubishi organisation.

But it is not just the Japanese that have decided that global private networking is the route to follow, says Mr Chris Wilmott, of management consultants Peat Marwick McLintock.

His company has just finished a worldwide study of global networking, examining the strategies of more than 50 organisations that have opted to go down this route.

From that sample it is clear that there *is no set pattern for* the type of company that goes in for global networking. Nor do companies from any one country dominate the list.

"What has stunned us is the enormous diversity," says Mr Wilmott. "At the end of the day it is the same management issues whether you are in the UK, in the US, in Spain or in Japan."

Some companies, he says, decide to install a global network in order to achieve a specific purpose, and then try to reduce the cost of running the network. Others set out by looking at global networks as a way of reducing their phone bills.

Others, such as ICI, the UK *pharmaceuticals company*, go for a combination. With manufacturing plants in 40 countries and distribution outlets in 150, ICI is installing a network to fulfil the business demand for information.

But, says Mr Bob Falconer, network services manager for ICI, everything has to be cost justified.

The logic behind the Sharp move is to make management information available at the same time to all its offices and plants

Like Sharp in Japan, ICI already set up its own private voice and data network on *home territory before it con*ceived plans to expand globally. Mr Falconer estimates this UK network has resulted in the halving of the company's domestic phone bill – to £10m.

Whereas Sharp has outlined an homogenous plan to link its 35 plants using high speed digital links, ICI has gone for a more pragmatic approach. It has built a data network linking 15 European countries, but has *decided to stick* with the ordinary dial-up network for phone conversations.

To the US, there is a dedicated trans-atlantic "pipe", but once in the US, the lines branch out into AT&T's business network called the custom network option (CNO). That is a half-way house between a private network and the ordinary dial-up network. ICI also has direct links with Japan.

To the other 125 countries in which the company operates ICI uses either ordinary phone services or a third party network, the sort of option many companies are now looking at, particularly in less developed countries.

These services are run by values *added service companies* such as Electronic Data Systems (EDS) or IBM, which install their own network and then sell chunks of the capacity to business users.

Each solution has its good points and its bad points. Dial-up services are often of a lower quality than a dedicated line, but setting up a leased line network internationally can entail an untold need for co-operation between national telephone companies.

With third party networks, the customer has no control over the amount of traffic going over the lines. This could result in heavy traffic causing split second delays in the call. Although that is not noticeable with voice calls, it can be a problem with sensitive computer data.

Whichever approach is taken, companies face the problem of the differing levels of technological competence in the different countries, and the varying regulatory issues and, in particular, tariffs.

For even the most dedicated company, working out how to get the cheapest call rates can result in employees tearing their hair out.

In the US and UK telephone companies have – to some degree – to relate their prices to their costs. But elsewhere, political considerations often result in one service subsidising another.

In addition, there are the problems of managing a network on a worldwide scale. In the case of a Japanese company, for example, there is the pure logistical problem faced when there is a problem with the network in the UK. Who should the UK employee call in Japan? And when he or she does so, will it be in the middle of the night?

Paul Taylor on the expanding market for value added services

The age of electronic trading

Imagine. It is 7am on April 18 2000. Ben Smith knows it is because the small video screen next to his bed has just flickered into life. As well as the time and date, the screen gives Ben the business news headlines, the weather forecast and tells him he has video mail and a message from his Tokyo office waiting.

Ben reads his mail. Aside from the bills, including the rental on his fiber-optic digital home information system, there is the usual junk electronic mail. Ben throws most of it away, but keeps a special offer from VW-Trabant, the German personal transportation giant.

After replying to the Tokyo message Ben "sweeps" the excess cash in his Swiss bank current account into a high interest bearing account in Hanoi, trades a stock through his online broker which is featured in his customised electronic newspaper and takes a laser print-out of the paper's front page downstairs to breakfast.

After filing the report he completed the previous evening on his home terminal – complete with video graphics – down the modem-less telephone line via a packet switching service at 9600baud, Ben sends a message to tell his secretary he will be late for work. He then dials up the car dealer database and downloads price information on the new VW-Trabant electric car.

Logged into the dealer of his choice he orders a red metallic model with a satellite guidance system. Milliseconds later his bank credit account in Switzerland is debited, somewhere in eastern central Europe a robot arm selects metallic red and spray–paints the car just coming off the end of the fully automated production line. In VW-Trabant's Antilles headquarters a computer simultaneously dials a delivery service, the Greater EC customs HQ in Berlin, the Driver and Vehicle Licensing Centre in Cardiff and Ben's home terminal.

All receive a standardised delivery note containing a customs clearance and other other documentation. Ben sets off for work knowing his new car will be delived to his home the following day, taxed and paid for. Imagine.

Of course the start to Ben Smith's day 10 years hence is fantasy. But most of the telephone wizardry he would require is already in place, supplied by the operators and providers of value added (network) services, Vans or Vas in techno–jargon.

Although there is nothing particularly mysterious about value added services – they are one of the fastest growing segments of a booming business telecommunications sector – no one quite seems able to define them.

The speaking clock is arguably a value added service but normally the Vas label is reserved for digital telecommunications over network telephone lines where information, usually in computer data form, is manipulated (value added) in some way. Vas can help reduce costs, speed up commercial transactions and eliminate errors using a combination of telecommunications and computer technologies.

Value added services (ECUm)

	1988	1989	1990	1992	1994
Western Europe	2,300	3,215	4,540	8,235	12,550
West Germany	210	300	435	865	1,445
France	405	580	830	1,480	2,275
United Kingdom	970	1,225	1,535	2,190	2,830
Italy	130	220	355	750	1,285
Spain	75	120	210	615	1,245
Sweden	150	230	355	665	940
Rest of Europe	380	540	620	1,670	2,530

Source: Communications & Information Technology Research

By far the biggest segment of the Vas market is represented by online information services, like Reuters. PA Consulting Group, the London-based computers and telecommunications analysts, suggest information services represent about two-thirds of a European market worth almost $3bn last year.

Messaging services, which include electronic mail, store –and–forward systems and Electronic Data Interchange (like the imaginary VW-Trabant generated customs declaration) are estimated to represent around a fifth of the market. EDI enables governments and companies to exchange orders and bills electronically in standard formats and have been pioneered in the transport, retailing, and insurance industries.

A third segment comprising processing services like airline reservation systems, interbanking systems and electronic funds transfer account for about 6 per cent of the market. The remaining 8 per cent is accounted for by other data services supplied over public or private networks.

Analysts agree that the Vas market, having promised much but delivered disappointingly little for years, is finally coming of age and substantially outpacing growth in basic telephone services.

London-based Communications and Information Technology (CIT) Research estimates that the market for Vas will grow from a modest Ecu2.3bn in 1988 to Ecu12.55bn in 1994. "CIT estimates that by 1994 total revenues from non-PSTN (Public Service Telephone Network) Basic Network Services will have almost doubled. But the highest area of growth is expected to be in value added services."

The deregulated US market has led the way in the Vas boom and the UK followed. The UK currently accounts for about a third of the European Vas marketplace but France and West Germany are catching up.

Several factors explain this explosion of activity. On the demand side customers as diverse as car manufacturers, international banks, DIY stores and food retailers are demanding access to sophisticated data communications networks and "paperless trading" technologies in order to cut costs, improve efficiency and compete more effectively domestically and internationally. Banks, transportation operators, governments and information providers have been in the vanguard.

Suppliers, too, are banking on the regulatory doors – and forming new strategic alliances. Among the leading US Vas providers bidding for chunks of the emerging European market are IBM, General Electric's GEIS, General Motors' EDS subsidiary, US Sprint's Telenet, and Tymnet (acquired by BT last year) together with European operations like Istel, the UK specialist telecommunications software company acquired by AT&T last year in a move widely seen as a strategic push into the European services market.

Similarly the acquisition of equity stakes in US-based Infonet by a group of European PTTs is regarded as a protective move enabling them to provide Vas to customers with pan-European or worldwide requirements.

Under pressure, particularly from the EC Commission, the regulatory environment in Europe is also changing. Last year the Commission forced through several key directives aimed at opening up the European business communications markets to greater competition.

In December a telecommunications services directive was approved liberalising competition in value added services later this year, together with the sister Open Network Provision (ONP) directive which seeks to harmonise their provision across the Community. The Commission has also acted against a price fixing recommendation for leased lines employed by CEPT, the club of Europe's telephone operators.

The logic behind the EC drive, supported by the UK, West Germany, Denmark and the Netherlands but resisted by France and the poorer Mediterranean EC members, is simple. The Commission believes that EC resident companies must have access to Vas at competitive prices in order to compete more effectively. Most customers endorse this objective, even if some national PTTs are dragging their feet.

Such rearguard action seems unlikely to halt the expansion of value added telephone services. Indeed the increasingly dubious distinction between basic telephone services and value added services may itself eventually disappear as fiber optic-based digital telecoms systems spread. "We are moving towards what I call an electronic trading system," says Mr Don Eungblut of PA Consulting. Ben Smith's year 2000 breakfast may yet become reality.

The Caller ID function has given rise to a stormy debate over who has the greater right to privacy: the caller or the called

Enter the civil rights factor

FOR OVER a year, newspapers in the US have been the arena for a debate which has at times reached fever pitch. It is hardly surprising that tempers have flared as the debate, inspired by technological changes in the telephone system, is essentially one about civil rights. And it is putting one group of civil rights activists against another.

At the centre of the controversy is a simple function which allows recipients of telephone calls to see who they are being called by before answering the telephone. This so-called Caller ID function is available on all modern digital telephone networks but only a few operators of such networks have decided to exploit it. It has given rise, however, to a debate over who has the greater right to privacy; the caller or the called.

According to Mr Harold Greene, the district court judge who made history in the 1980s by presiding over the break-up of AT&T, the called party's right to privacy is greater than that of the caller. For him, Caller ID is a "truly revolutionary" device which "returns control of the phone to its owner from its long domination by every salesman, solicitor or crackpot who decides to call at any hour of the day or night."

But for US Senator Herb Kohl, Caller ID not only compromises the "legitimate privacy of callers" but can also diminish the privacy of call recipients. "Callers are forced to give up their numbers – and consequently their addresses – every time they pick up their phone," he notes. This, he says, is likely to give rise to – rather than prevent – unsolicited calls as well as add to the torrent of junk mail which already pours into the mail boxes of America.

The American Civil Liberties Union has also been quick to react to the issues raised by Caller ID and it has come down on the side of Senator Kohl. Caller ID, it states, is an unacceptable invasion of privacy. Nevertheless similar objections by state level public or consumer advocate offices have been overruled by both the New Jersey and Pennsylvania Public Untility Commissions.

And in California the provision of Caller ID services has also been given the go-ahead, albeit with the rider that anyone offering such a service must also offer a blocking option – a so-called secrecy switch.

The secrecy switch is an issue which although designed as a compromise is itself creating a new controversy. In particular, those who are interested in promoting Caller ID as a means of reducing obscene telephone calls regard it as unnecessary.

Ms Sandy Granzo, of US regional telephone service operator Bell Atlantic, describes the secrecy switch as pointless: "It dilutes the service – it's counter-productive. All an obscene caller will do is block giving out his number," she notes. Bell Atlantic is working with police departments, undercover agencies and spousal abuse centres to work out ways of allowing some numbers to be blocked.

At the centre of the controversy is a simple function which allows recipients of telephone calls to see who they are being called by before answering the telephone

The argument for Caller ID offered by those concerned about obscene and threatening telephone calls is the most compelling. Earlier this month the results of the first systematic survey of the impact of Caller ID on obscene telephone calls was published in the respected Security Journal. In it Mr Ronald Clarke, Professor and Dean of the School of Criminal Justice, State University of New Jersey, found that in spite of a take-up rate for Caller ID service of only 2 per cent in New Jersey, the incidence of annoyance and obscene telephone calls reported to the New Jersey Bell Annoyance Call Bureau fell by at least 25 per cent.

Without doubt some people will suffer a loss of privacy, admits Mr Clarke, but others will gain. "The costs are no where near as much as the gains," he says.

The need to find some way of combatting telephone abuse is also bringing the Caller ID debate to Europe. According to the Office of Telecommunications (Oftel), the UK's telecommunications watchdog, some 10m women receive threatening calls a year.

Ms Mildred Gordon, MP, who has been campaigning to bring the issue of obscene telephone calls to the attention of Parliament, believes that this figure may be closer to 20m. Telephone abuse, she says, is "a form of violence against women which is very widespread.

"I've had hundreds of letters from women telling me how nuisance calls have made their lives a misery – some have even been pushed to the brink of nervous breakdowns," she says.

She is urging Oftel to take a role in combatting obscene telephone callers. And according to Oftel's Mr David Reading, she is finding some success: "Obscene phone calls are not a part of Oftel's remit – really a matter for the police or the Home Office – but the director general believes it is a serious problem that cannot be ignored. We are urging British Telecom to make the best possible use of technologies to help try and solve this problem."

Unlike the US, in Europe worries about privacy problems are less over Caller ID and more over the data retained about subscribers' calling activities in the network itself. Ms Nettie Pollard, of the UK's National Council of Civil Liberties, does not see "any particular civil rights" problem with services such as Caller ID. "Itemised billing is another issue,"she notes.

In West Germany, too, the Caller ID question is not causing too much of a problem. Mindful of the controversy in the US, the country's leading carrier, Telekom, has decided to allow users of its new Integrated Services Digital Network to decide whether or not to show their numbers to the people they are calling – although they must inform Telekom of their decision in writing, which as critics point out is hardly a flexible solution.

Again it is the question of itemised billing which is causing most problems, particularly with those interested in data protection issues. In a recent report, West Germany's Federal Data Protection Agency defines the right to unobserved communications as a basic right. Itemised billing, with its paper-based record of who calls who, when and how long for, the agency says, threatens this.

Telekom argues that it needs to retain call information both to counter account queries (of which it says it receives some 500,000 for the 30m or so bills sent out each month) and to be able to monitor traffic loads.

Dr Werner Schmidt, head of the information technology section of the Federal Data Protection Agency, disagrees. "In order for Telekom to provide an audit trail or to measure traffic loads, all that would be necessary is the retention of the STD code and the first digit of the dialled number," he notes.

His agency is currently talking to Telekom about a way of solving their disagreement but, so far, he says he has encountered much resistance. If no informal agreement can be made with Telekom, he says he will look for new legislation to do the job.

In the UK, legislation may also be an option but to those campaigning to use new technology to prevent the telephone harassment of women, it would be a last resort. The campaigners' preference would be for a public discussion about the best ways to use the new technology.

"We're entering a new period of the use of the telephone – the discussion about how this should be approached should be in the public domain," says Ms Gordon. She is confident that given the right amount of attention, technology can help stop telephone harrassment. "It can be done, and it can be done without infringing civil liberties," she says.

Peter Purton

INTERNATIONAL TELECOMMUNICATIONS 12

John Williamson looks at tomorrow's 'intelligent' telephone systems

New tricks for the old networks

LAST year the UK telecommunications company GPT made a world record attempt on the highest number of simultaneous calls that could be handled by a telephone exchange. The target was 1.5m in an hour. In the event, the System X exchange handled 1,558,000 busy hour calls attempts (BHCAs), or more than 430 each second.

Of far greater consequence *than the place secured for GPT* in the Guiness Book of Records was the demonstration of the processing power which System X could bring to the so-called "intelligent" telephone networks of the future. "In setting the record, GPT has laid down a worldwide standard for exchange throughput which will become the benchmark that other suppliers will have to meet," claimed Mr John Ziemniak, GPT's director of engineering at the time. "As far as we are aware, no one else in the world has so far demonstrated more than 600,000 BHCAs."

Intelligent Networks (INs) use powerful exchanges such as System X connected to a small number of centralised databases. At first sight what they do is not exciting. An IN is a way of providing flexibility of numbering, routing, charging and billing in the telephone network.

However, permutations on the traditional network function of connecting one caller to another, and billing the former for the privilege, allows customers to tailor basic services to their individual needs. It also generates millions of pounds worth of additional revenue for telephone operators.

The UK's "freefone" service, for example, has more 5,500 corporate clients who pay to receive calls which otherwise *might not have been made*. This service is run on exchanges provided by AT&T and currently handles around 500,000 calls each day. BT has invested more than £100m in its freefone network and in recent improvements to the service. A spokesman said UK rates of growth for toll-free calling were now higher than in the US, where the service was pioneered.

Extrapolating from the US experience, AT&T Network Systems International says that annual income from an IN service such as advanced freefone can run into hundreds of millions of dollars within a few years of its introduction. In addition to systems in the UK and US, AT&T is delivering a network in Spain.

As well as toll-free calling, IN services include automatic call distribution and transfer to alternate destinations, private telecommunications networks *provided over public* lines, private switchboard services from public telephone exchanges, and polling and market research based on tallying calls to particular publishing numbers. In Denmark, INs have even been proposed as a means of automating state lotteries.

Along with the generation of additional revenues, INs are popular with telephone companies because they can be implemented at relatively low cost without significant disruptions to normal network operations. France is planning three different IN applications, all of which will run on Alcatel E10 switches.

Where INs use centralised databases, new services can be introduced more rapidly than would be the case if all exchanges had to be equipped with the same additional computing power. This speed of response is a useful attribute where an operator is faced with network competition from *new carriers. It helps explain* why INs are taking root first in countries such as Japan, the UK and the US which liberalised their telecommunications supply regimes early on.

The IN concept is similarly welcomed by telephone switch manufacturers such as Alcatel, AT&T, GPT and Siemens. They see it both as a new parallel market opportunity for their established businesses, and as *a possible means of* breaking into national markets from which their hardware was previously excluded. "We recognise this to be very important and consider it a core product," commented Ericsson Telecom's Goran Nordquist at a launch of its TMOS IN system earlier this year.

However, as well as commercial opportunities, INs pose some problems for operators and exchange manufacturers.

An IN implies relinquishing some degree of network control to customers, a prospect not welcomed by all PTTs. More*over, depending on the regulatory* regime in force in the particular country, an IN can open up the market to new non-PTT niche service suppliers.

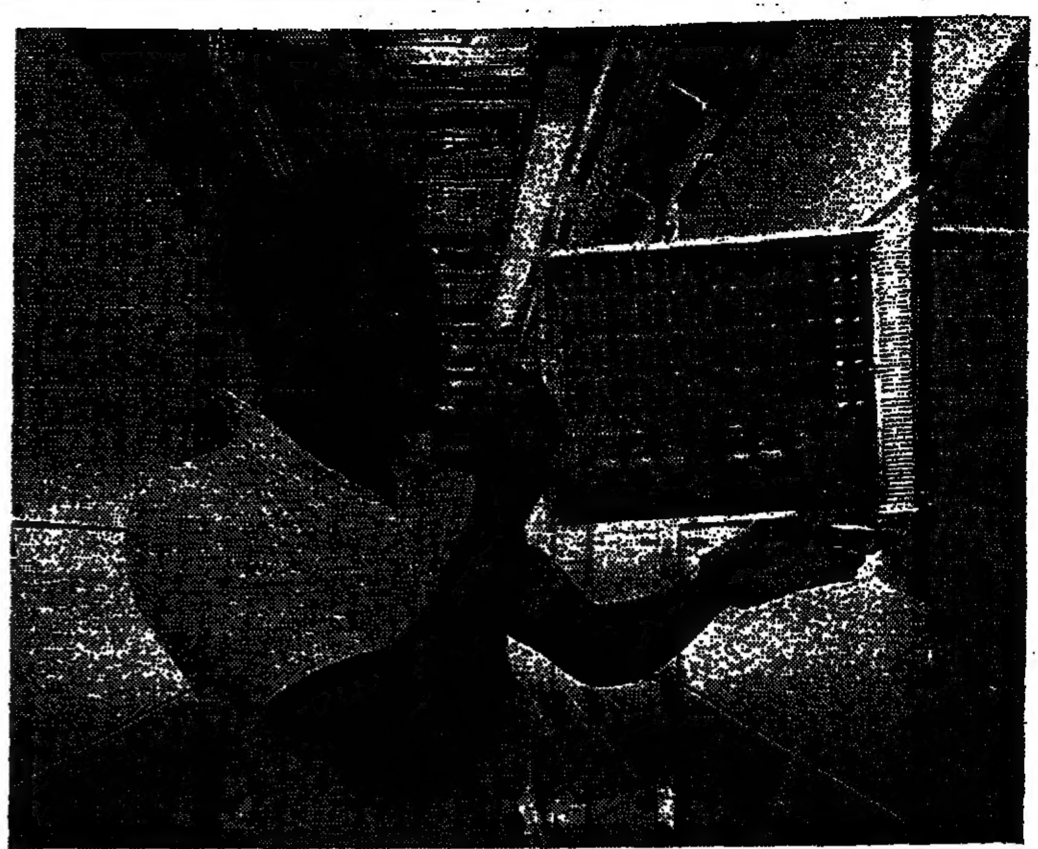
The technology is also to some extent switch-independent, making it possible for PTTs to ignore existing relationships with switch suppliers when building their INs.

Meanwhile, new categories of players are appearing to contend for IN business. Some of the spoils of the emerging market have already gone to transmission companies such as STC which are not in the switching business. As the role of database nodes in the IN increases, the computer giants are muscling in as well.

The international growth rate of INs will depend on the overall speed and extent of conventional network modernisation to provide such necessary facilities as nationwide itemised billing. It will also be affected by progress in defining international standards.

US companies have already played a large part in supplying the hardware for European INs, and there has been US/European collaboration involving groups such as IBM, Bell Atlantic International and Siemens, DEC and Siemens and *IBM and LM Ericsson*.

The Americans are also setting much of the international standardisation agenda, although the UK's recent backing of Personal Communication Networks – a specific form of IN – has provided a boost to European efforts.



An engineer with the sophisticated System X hardware which can handle 430 calls a second

Robert Palmer explores the problems raised by technological advances

User unfriendly hackers highlight flaws

THE sentencing of Mr Robert Morris in May last year is an event that will be viewed with great interest by many in the telecommunications industry. Having already been convicted of breaking into the US Internet *network and causing* disruption, the world's most famous hacker now faces up to five years in jail and a possible fine of $250,000 (£153,000).

Mr Morris maintains he was conducting a harmless experiment. Whether hackers are viewed as innocent pranksters or reckless criminals, however, the case serves to highlight the gravity of the problems facing providers and users of telecommunications networks.

As telecommunications become considerably more important in business, so the possibilities for malicious interference have multiplied. With millions of pounds now being transferred over electronic funds transfer systems daily, there is every incentive for criminals to turn to this line of business.

Privacy, too, is a key issue. In particular, the rapid introduction of new technologies such as cordless telephones and cellular communications has opened a number of security problems. How, for example, *do you ensure the privacy* of a call made from a car phone, when it is effectively broadcast nationwide over the cellular network?

"It is impossible to stop people listening in," says Mr Terry Barwick of Racal. "However, the nature of cellular networks makes it very difficult indeed. As transmission and reception are carried out on two different frequencies, sophisticated *equipment would be needed to* tune in to a complete conversation. Also, the frequencies change each time you cross a cell boundary, adding to the difficulties."

At home, cordless telephones can also be subject to eavesdropping. As the frequency allocated to these telephones is just off the end of the medium wave band, it is possible to pick up signals on a conventional radio receiver.

Mr Charles Hughes, professor of *telecommunications* at the University of Essex, believes this should not represent a serious problem, as most handsets have a range of less than 10 yards. But if a call is made from a high vantage point, perhaps a house on a hill or a tall building, the signal could travel much further.

"The problem will become much less severe when we move on to the next generation of cordless telephones, CT2," he says. "Because this technology will be based on digital rather than analogue commu*nications, it will be much* easier to build in higher levels of security."

Another advance in technology, the introduction of an Integrated Services Digital Network (ISDN), also brings the promise of greater security and better privacy. As well as offering much higher capacity for both voice and data services, ISDN networks employ a different method of coding to conventional analogue networks – making interception much more difficult.

Making analogue systems secure can be an expensive business, with a secure telephone costing perhaps 10 times as much as a conventional one. In digital networks, however, security can be built in at minimal cost.

Security can be an expensive business: a secure telephone can cost 10 times as much as a conventional one

As a result, Mr Dennis Willetts, head of electronic systems security at British Telecom, expects security to become a more integral part of the telecommunications system in the near future.

"The emphasis in the past has been on providing any kind of service when a new technology is introduced.

"But when we move on to the next *generation of* equipment, we will be able to solve these problems. As we introduce digital equipment right through to the customer's door, it becomes easier to meet the customer's requirements for cost-effective security."

These requirements are sure to become more stringent as the use of telecommunications networks increases.

At the moment, for example, only a small percentage of business transactions are handled over data networks, using electronic data interchange *(EDI). As these transactions* are usually between members of small, clearly defined groups, the level of security available is often adequate.

However, if EDI becomes a more important form of trading in the future – perhaps even the dominant one – then the whole issue of security will need to be re-examined. A network that is to be entrusted with high volumes of important, confidential transactions must offer a high level of protection against abuse.

Modern digital networks promise a great deal in terms of new services, but some of these new services themselves create privacy problems. Calling Line Identification, which enables the user to see the *number of a caller before pick*ing up the telephone, is sure to be a great asset to the receiver of the call. But for the caller, the anonymity of location is removed.

An employee who wishes his boss to believe he is ringing from, say, a district office when he is actually somewhere else may find this new service rather less than enticing. While this may make more honest citizens of us all, it could also be construed as an invasion of personal liberty.

As Mr David Lewin, of com*puter consultants* Ovum points out, every technological advance presents difficulties as well as benefits.

"You could view the telephone itself as an invasion of privacy," he says. "Anyone with a telephone is vulnerable to unwanted calls, but the disadvantage is small compared to the benefits. There is a trade-off between the two."

He sees a similar trade-off developing with the introduction of personal numbering systems. Under this type of system, an individual is allocated a single personal telephone number. A caller needs only to dial this number to be routed automatically to the person concerned – at home, in the office, or even in the car.

"There is a very substantial privacy problem with personal numbering systems. Once you have given your number out, you can find it very difficult to get away from an unwanted caller. It is very important that the user has a considerable degree of choice over the way the number is used."

Fortunately, it is possible to provide this control. The user can control the database which determines where *calls* are routed. Consequently, it would be possible to take calls for just a few hours a day, with *other* calls being picked up by an answering machine.

As telecommunications networks develop, security and privacy issues are sure to become even more important. But with security technology itself advancing rapidly, almost certainly the problems will be small compared with the benefits modern communications systems can bring.